SPEECHES AND WRITINGS

OF

SIR DINSHAW EDULJI WACHA

FIRST
EDITION

PRICE RS. THREE
G. A. NATESAN & CO.
MADRAS

HC
435
W26
1920

LIBRARY
MAR 28 1974
UNIVERSITY OF TORONTO

NOTE

During a long and eventful career extending over a period of nearly half a century the Hon'ble Sir Dinshaw Edulji Wacha has been taking an active and strenuous interest in the public life of this country in all its varied activities. As a member of the Bombay Corporation, of the Mill Owners' Association and of the Bombay Improvement Trust, as the Secretary of the Bombay Presidency Association, as a leading Congressman, as a constant contributor to the press, and latterly as an elected non-official member of the Imperial Legislative Council, Sir Dinshaw, "a marvel of untiring energy, a living encyclopædia of experience and facts" has spoken and written on a variety of subjects covering a wide field—political, educational, industrial, commercial, and financial. His numerous speeches and writings besides serving as an interesting account and criticism of nearly fifty years of British Indian administration form also a valuable record of the various public movements of his time.

Sir Dinshaw Edulji Wacha is one of the very few public men of India who have made a life-long study of economic problems and it is hoped that his speeches and writings, now collected for the first time under one cover, will be appreciated not only by those who have specialised in such subjects but by lay readers as well.

THE PUBLISHERS.

CONTENTS

	Page.
Congress Presidential Address ...	1
Evolution of Indian Trade ...	98
Science of Commerce	123
Stray Thoughts on the Study of Economics.	165
Statistical and Economic Study ...	191
Indian Railway Finance	206
Indian Military Expenditure ...	273
Indian Commercial Congress ...	322
Agricultural Banks in India ...	336
The Currency Question	374
England's Financial Relations with India ...	392
Some Reflections on Education in India ...	402
Speeches at the Mill Owners' Association ...	430
Welcome Address to the 30th Congress ...	466
Simultaneous Examinations ...	482
Indian Recruits in the Indian Civil Service.	487
Salaries and Annuities in the I.C.S. ...	491

APPENDIX

Evidence before the Welby Commission ...	1
Rejoinder to Mr. Jacob's Evidence ...	35

*In former days, when the Congress was held, we were told that it was a Hindu Congress and that the Muhammadans did not join in it. "Of course, when there is a difference of opinion, how can we agree to all the propositions urged by a Hindu Congress." So we were not unfrequently told by the Government. But the Hindus and Muhammadans are amalgamated. There is unanimity of thought, speech and mind between both communities. Government now trot out the question of Brahmins and non-Brahmins. That is the usual way with the bureaucracy, and there is nothing particular about it. I understand it to be intelligent enough. But what if there are Brahmins and non-Brahmins? There is the Charter Act which lays down clearly that 'proved merit and ability' shall be the only qualifications for the public service. One may be a Brahmin, or non-Brahmin, or an Australian, or a Canadian, or a Negro or a Hottentot, what of that? So far as the Service is concerned we are to have the best men for the Indian Government. There is nothing further to be said about it. * * * Why then should we have any more difficulty here with Brahmin preponderance or Muhammadan preponderance or Parsi preponderance or any other? The Charter Act is clear on the point; it says 'men of proved merit and ability' only shall be employed in the public service. Then it is laid down that there shall be no 'governing caste' in India. Where is the governing caste? The governing caste is the Civil Service; they are the governing caste, and yet the Brahmin is denounced. I cannot at all, Sir, understand that argument.* p. 484.

The Civil Service has its traditions, and those traditions are, that they must be bequeathed from generation to generation. There is nothing new that from time to time these traditions are trotted out. It has gone on for the last 75 years. These Civilian interests have become vested and whenever vested interests are attacked the reply is 'This is impossible and that is impossible; you cannot do this and you cannot do that; the war is with us and we must not discuss this, that and the other.' They are all mere plausible pretexts to say non-possumus. I am sorry to have to say all this, but speak we must frankly and express our honest convictions on the subject. p. 495.

SECOND EDITION.

DADABHAI NAOROJI'S

SPEECHES AND WRITINGS.

This is the first attempt to bring under one cover an exhaustive and comprehensive collection of the speeches and writings of the venerable Indian patriot, Dadabhai Naoroji. The first part is a collection of his speeches and includes the addresses that he delivered before the Indian National Congress on the three occasions that he presided over that assembly; all the speeches that he delivered in the House of Commons and a selection of the speeches that he delivered from time to time in England and India. The second part includes all his statements to the Welby Commission, a number of papers relating to the admission of Indians to the Services and many other vital questions of Indian administration. The appendix contains, among others, the full text of his evidence before the Welby Commission, his statement to the Indian Currency Committee of 1898, his replies to the questions put to him by the Public Service Committee on East Indian Finance. Dadabhai has been in the active service of his motherland for over sixty years and during this long period he has been steadily and strenuously working for the good of his countrymen; it is hoped that his writings and speeches which are now presented in a handy volume will be welcomed by thousands of his admiring countrymen.

Price Rs. Three.

To Subscribers of the "Indian Review" Rs. 2-8.

G. A. NATESAN & Co., PUBLISHERS, MADRAS.

without warning, Mr. M. G. Ranade breathed his last on 17th January. The country was at once plunged into the deepest sorrow at this national calamity. Mr. Ranade, the erudite judge, the profound scholar, the keen student of Indian economics, the philosopher cast in the Hellenic mould, reminding us of Socratic intellect and Socratic simplicity, the pure patriot, of glowing zeal, and above all, the spotless citizen of boundless faith and hope, is no more. Whether, as the poet says, he has gone to swell the fulness of the eternal psalm, or rise slowly to a higher birth or, as George Elliott pathetically sings, to join the Choir Invisible of the Immortal Dead who live again, his voice shall always remain with us, reminding us, and the generations to come after us, of the great unselfish career in the cause of his country, stimulating us by his example to follow in his wake, and urging to leave our footprints, however slight, on the sands of time. Like Mr. Gladstone, he showed, as Mr. Morley informed his audience at Manchester eight weeks ago, the great things which a great man may make of life. Like our veteran living patriot, who still labours for his country's good six thousand miles away, perseveringly and patiently, Mr. Ranade also made the public good the ruling motive of his life from the beginning of his public career to its end. May India cherish his memory for ever and ever.

THE LATE QUEEN VICTORIA.

Ere, however, the tears on the death of Mr. Ranade were dry, the whole country, along with the rest of the British Empire, was overwhelmed with greater grief at the demise of our late gracious Queen-Empress. Universal lamentation followed the event, from which we have not yet finally emerged. Such was the beneficent influence of that illustrious Sovereign during her lifetime that, though

she never paid a visit to India, her people,—men, women and children—seemed, as if by magic, to feel her gracious presence and be gladdened by the thought that she really moved and lived among them. Such magnetic attraction, from so long a distance, was indeed marvellous, and could only be accounted for by her uniform solicitude and regard for her Indian subjects. One touch of her love for them had made the whole world of India aglow with deep reverence and respect for her. Thus it is that in the death of Good Queen Victoria, Indians mourn not only the loss of a unique Sovereign, of great benignity and greater grace, but of an affectionate mother and the type of the highest and most exalted womanhood. Already history has enshrined her memory as the greatest of English sovereigns who, for the unprecedented period of sixty-four years, had bravely and majestically borne the yoke of a mighty empire which had grown with the growth of her rule, east and west, and counted well-nigh one-fourth of the human race. As far as her Indian subjects were concerned, every important domestic event in the Royal household, or historical occurrence in the country, had had the influence of attaching them closer and closer to her throne, and deepening their loyalty towards her person and rule. Her solicitude for their moral and material welfare, her sincere Royal wish for equal and impartial justice, and her spirit of religious toleration are now matters of history. They have proved the strongest links in the chain which binds them to the beneficent British rule. And it may be said with truth in her case that in their contentment and security and in their gratitude for her government, she had, in the words of her own memorable Proclamation, twice re-affirmed, her "best reward." The Queen-Empress is no more, but in the words of the late Poet-Laureate, it may be

observed that if she has now laid aside her terrestrial crown, she now wears another and truer one than any wreath that humanity can weave for her. In every part of the country memorials are being raised which are destined, like those ancient monoliths of the great Ashoka of happy memory, to perpetuate her name so long as the sun and moon endure. But more than monuments of marble and bronze, it may be unhesitatingly observed that the name of Victoria the Good will live for ages to come in the hearts and affections of the Indian people.

THE LATE MR. MCKINLEY.

The death of another exalted personage, by the hand of a dastardly assassin is also greatly to be lamented. Though not directly connected with India, the Indians have a genuine love and regard for the Americans, who are, after all, the kith and kin of the English beyond the Atlantic. We are specially grateful to them for their generous sympathy and support during the dark days of the two severe famines which closed the nineteenth century. It was an act of international sympathy which we Indians can never forget. The death of Mr. McKinley, late President of the United States, is, therefore, greatly deplored by us. It is indeed mournful to reflect that so good, so capable, and so popular a President should have fallen by the hand of one of the bands of that fanatic brotherhood, who entertain the frenzied cult that Society and Order are best served by anarchy and shooting down or stabbing princes, potentates and presidents. That such ideas should now and again take practical shape is deplorable. They sully the fair fame of the West, which, it is to be hoped, Civilization and Humanity may soon put an end to.

THE LATE SIR SESHADRI.

Lastly, we cannot but be sorry for the death, at the

early age of fifty-seven, of Sir Seshadri, the distinguished Dewan of the Mysore State. In him the country loses an administrator of the highest capacity and most matured experience. He was the latest instance of the Indian statesman, who had shown himself capable of governing fully an indigenous State with as much skill and sagacity, judgment and determination, tact and sympathy as some of the greatest of English administrators who have left their mark on British Indian history. Sir Seshadri has now gone to swell that illustrious roll of modern Indian statesmen at whose head shines the ever-to-be-remembered Sir Salar Jung; but let us hope that all our Native States may from time to time produce administrators of similar ability and renown to demonstrate, if demonstration be still needed, that statesmanship is not a monopoly which is confined to one race and one country alone.

THE COMING CORONATION.

But let me now turn from the mournful past to the gladsome present. The Prince of Wales whose respectful acquaintance this country made over a quarter of a century ago is now the King of England and Emperor of India. We are greatly rejoiced at the fact that there now sits for the first time on the venerable throne of King Alfred the Great, whose millenary was so enthusiastically celebrated a few months since, a Sovereign who had visited this great Empire which is justly said to be the brightest jewel in the British Crown, and won the hearts of its princes and people by his unaffected simplicity, his incomparable grace, and his sterling sympathy. The circumstance is unique indeed in the annals of England and India alike which History will not fail to record in the fulness of time. Our only regret is that the gentle and popular Queen Alexandra did not accompany her royal Consort on that occasion.

All the same the great esteem and regard in which she is held is no less than that in which Indians held her late illustrious mother. Exactly six months from this day the country will have the pleasure of laying at the foot of the throne of their Majesties, on the auspicious occasion of their Coronation, its sincere congratulations and further expressions of its attachment and devotion to their rule. It becomes, therefore, the duty of this Congress, now assembled in session, to take the necessary steps to be able to offer at the time its dutiful address of congratulation to their Gracious Majesties and wish them a happy and brilliant reign. And let us fervently hope that reviving the immemorial usage of former sovereigns of this ancient country, His Majesty may be pleased to take occasion by the hand and confer on the people some mark of his Royal justice and beneficence, which shall not only evoke unbounded enthusiasm among them but hand down his august name with feelings of the greatest gratitude to their children's children for many a generation to come.

FAMINE SLOWLY PASSES AWAY.

Turning now to a retrospect of the year just coming to a close, the first important event which attracts our attention is the passing away, slowly but steadily, of the famine conditions which unhappily prevailed to a deplorable extent during the preceding twelve months. The recent monsoon, with its fair harvest, has greatly tended to improve those conditions though it is a fact that parts of Gujarat and the Deccan as well as Kathiawar are in the throes of a third famine. The situation there is not only gruesome but positively heart-rending. Apart from the holocaust, the two previous seasons of insufficient rainfall have claimed, both in men and plough cattle, there is apprehended this time a dearth of drinking water as the

season advances. This contingency is awful to contemplate. But it is to be devoutly hoped that the winter rains may tend to alleviate the aggravated condition of hardship and distress from which the peasantry is suffering at present. We are, however, aware of the anxiety of the Government in reference to the grievous situation of the two provinces. It is indeed gratifying to record the fact that since the date of the assumption of his high office, the Viceroy has been able to infuse among the officials not a little of his own spirit of greater watchfulness, solicitude, sympathy, and, above all, of speedy action for those suffering from the visitations of famine. That spirit will, no doubt, be able, as far as human efforts can go, to alleviate in a great measure the affliction of those who are now unhappily subjected for the third time to the appalling inroads of the drought.

EFFECTS OF FAMINE.

It goes without saying that the two admittedly severest famines of the century have greatly taxed the energy and resources of the Government. We have been officially informed that the total cost of relief on their account has amounted to 25 crores of rupees, whereof 17¼ crores are direct expenditure. But great as this cost is, it is nothing in comparison with the loss of crores entailed on the peasantry in the afflicted parts by reason of deficient crops and almost total destruction of agricultural cattle. It is to be greatly feared that the restoration of the live stock to the number which was estimated before the famine commenced will take some years. Meanwhile this diminution of the ryot's capital is certain to tell upon his industry and bare annual income. So that the sacrifice the State has undergone cannot be considered to be abnormally heavy relatively to the losses which the impoverished ryots have suffered. Already the Government has told us of

the returning prosperity to its finances. Unfortunately the same can in no way be predicated of the peasantry, who will be more closely chained to the wheel of toil for the next ten years at the least in order to be able to retrieve the utterly destitute position into which they have been plunged by the double calamity. It would, however, be illogical to jump to the conclusion that because State finances are supposed to prosper, therefore, the mass of the cultivators are prospering also. Nothing is more delusive or opposed to fact.

STATE AND PRIVATE RELIEF.

Again, it is of importance to remember that all over the world, State expenditure has to be derived from the annual produce of the land. In India especially nearly 28 per cent, of the gross revenue is derived from the tillers of the soil, who form the bulk of the population. It is not as if the State by its own diligence were able to accumulate 25 crores of rupees, which it afterwards sacrificed for the relief of millions of distressed and starving humanity. All the money comes from the labour of the sweating cultivators themselves. Practically, therefore, in spending the monies on the famine-stricken, the Government, as an enlightened but alien and Christian Government, was doing no more than the duty it owed to those who yearly contribute crores to its treasury. But the spirit of humanity which prompts so large an expenditure, when famine unhappily overtakes the land, is beyond all praise. Organised State philanthropy is, however, known to be a plant of too recent growth. It is needless to remind you that up to the date of the Behar famine of 1866, there were no systematic relief operations of the character which we have since witnessed. This methodical system of relief has developed with the march of civilization and the

progress of humane ideas all over the world. Just as in matters of jail discipline and reforms, there has been a great evolution in the mind of the British people, so in reference to famine relief. England herself, half a century ago, would have hardly thought of such a perfected standard of relief operations as was practically carried out in India during the two recent famines. But not to go too far, take the case of Russia of to-day. It is well known that there has been a prolonged famine in that country for the last seven years consecutively. Can it, however, be said that even now she has realised the standard of relief organisation which the British Indian Government, despite many mistakes, has on the whole so successfully carried out? Thus, in judging of the relative efficiency of relief in matters of famine, it is essential for purposes of a just comparison to take into consideration the standard of charity and philanthropy which may have prevailed in a given country at a given age. It would, however be unfair to judge of the results of one period by applying to it a standard prevalent in another.

INDIA'S GRATITUDE, AND PATIENCE.

None will have the temerity to deny that the Government of India, in coping with the two recent famines, has achieved a success never before attained. The key to that success may be principally discovered in that lofty standard of duty and responsibility which it prescribed to itself, no doubt, prompted by the humanitarian views which the civilisation of the nineteenth century has almost crystallised all over the world. Secondly, it may be perceived in the solicitude of the authorities to profit by their previous experience. For this act of State humanity, India acknowledges with unanimous voice its warmest gratitude. And, while it is a pleasure to record this memorable fact, it is

equally a pleasure to refer to that private charity and beneficence which were visible during the dismal period. Despite bad trade and diminishing prosperity in our staple arts and manufactures, the fountain of that charity constantly flowed. State relief was most liberally supplemented by private, as the recent publication of the Report of the Central Committee of the Famine Relief Fund informs us. But what greatly adds to the merit of this private charity is the magnificent fund raised by the Lord Mayor of London, by Lancashire, by other counties in England, by Australia and by the United States. Indians are not insensible to these foreign donations in money and grain. They feel extremely grateful to England and England's kith and kin beyond the seas for what they have done with regard to the alleviation of starving humanity in this country. Barring the "melancholy meanness" of the British Exchequer in persistently refusing to render financial justice to India by giving a grant of 5 millions sterling, it is indeed a bright episode in our mournful annals, which is certain to be remembered for many a year to come. But if the State has nobly discharged its duty, it is indeed a matter of the greatest satisfaction to notice the testimony borne by all who have visited the famine camps, from His Excellency the Viceroy down to the humblest person, to the exemplary powers of patience and endurance displayed by the unhappy famished themselves all through the most trying periods through which they endeavoured to struggle for existence. In the words of the Finance Minister as recorded in his last budget, they are certain to "leave a memorable record in the history of mankind."

THE FAMINE POLICY OF THE BOMBAY GOVERNMENT.

The lessons, however, which the two famines have

taught will, it is to be devoutly hoped, be carefully borne in mind. Much has no doubt been done, and done with success. But much more still remains to be done. The defects pointed out by the Commissions of 1898 and 1900 should be removed, especially those revealed in Bombay. No doubt, the Government of that Presidency has attempted an elaborate defence of the details of its famine management, which had been severely criticised by Sir Antony MacDonnell and his colleagues. But much of that laborious rejoinder is unconvincing. Anyhow, it has not improved the position of that Government if public opinion expressed on that *apology* is to be taken into consideration. But be the defence right or wrong, it cannot be gainsaid, broadly speaking, that the Bombay Government had misconceived its true functions as regards famine relief operations both in 1897 and 1899—the result, in my personal opinion, of a too illiberal and narrow view of the situation. In that Presidency there was some strange infatuation on the part of those responsible for the relief which led to the many deplorable incidents in Gujarat. The primary idea was to run famine on the cheap. Hence there was considerable false economy of a most grievous character, which ultimately resulted in heavy mortality and most acute stage of the famine. The tests were hard and unreasonable, while the system of wages and task-work was unusually rigorous. But on this subject, and on that of the appalling inadequacy of the medical staff employed—an inadequacy of which His Excellency the Viceroy was himself personally convinced when visiting the Guzarat Relief Camp—the Commission, so ably presided over by Sir Antony MacDonnell, have commented so freely that I would fain refrain from repeating them here. Apart from the mortality

caused by the most illiberal policy pursued for a time by the Bombay Government, but eventually modified under severe pressure of public opinion, there was a large number of deaths from cholera, owing to the inadequacy of medical hospital assistants.

"Cholera raged in May," say the Commissioners, "and did not finally abate till August. It is stated by all witnesses that much of the mortality due to cholera was wrongly assigned to other diseases, and it is evident from the figures given below that to a large extent this was so."

But even apart from cholera, the excessive mortality from famine in Bombay Presidency was deplorable.

"Making allowances," again say the Commissioners, "it is not possible to dissociate the mortality from the famine or to regard it as inevitable. We have no doubt that the mortality in the period up to May would have been less, had more works been opened near the peoples' homes in the Kaira and the Panch Mahal Districts, and had the provisions of the Famine Code in regard to the distribution of gratuitous relief in the villages been acted upon with due liberality. We are also of opinion that much of the cholera mortality would have been avoided had the provision in reserve of a scheme of village works enabled the authorities to split up the large works and return people to their homes, and had the organization on the works been more efficient."

Thus, it will be seen how the famine policy of the Bombay Government was comparatively a failure. That authority, which was taken to task from the very beginning by its critics, was too self-sufficient to modify its mistaken policy, which eventually resulted in such heavy and lamentable mortality. Nay more. An attempt was seriously made in the Press to contradict public opinion as if it were valueless or unfounded. The results of the Commission's investigation have now demonstrated the fact that, after all, the public were in the right, and those responsible for the famine operations grievously in the wrong. That error has now been admitted by the Bombay Government, but it is indeed most extraordinary that it should have pleaded it as a justification of the

policy it pursued. In its defence it has laid the blame of that error at the door of the Government of India. It puts forth in its extenuation the circular of Mr. Holderness which prescribed economy. It did nothing but faithfully follow it, practising economy with a vengeance. This part of the defence has already been severely criticised. Commenting on it, the *Advocate of India*, in its issue of the 22nd November 1901, justly observed:

> It is inconceivable to our mind that the Executive should have been so overpowered by this perfectly legitimate act of the Government of India that it felt bound to shirk its obvious and plain duty at a time of emergency and to hold tight on the public purse-strings whilst the people were dying in thousands from sheer want.

In plain words, the defence of the Bombay Government amounts to this—that it refused to do its obvious duty because it had been warned by the Circular to be careful how the money given to it was spent:—

> "If doubt actually existed as to the meaning of the Circular," proceeds the *Advocate*, "this could have been brushed away in half an hour by the simple process of wiring to Simla for specific instructions. To openly declare at this date that they feared to incur censure is an admission of neglect of a precaution which would have entirely obviated any such criticism of the Bombay famine policy."

A HOLLOW DEFENCE.

Again, the *Times of India*, which also throughout fairly criticised that policy on the basis of the authentic information carefully supplied by its own representative and other correspondents, is constrained to observe in reference to this extraordinary self-incriminating defence that:—

> It is more in the nature of a statement of the difficulties which the Bombay Government had to encounter in meeting the last famine, than a vindication of what they actually did. . . . . It is not easy to distinguish between the excuses of the Bombay Government and the accusations brought against them by critics of their famine policy. . . . . They admit that their arrangements were not sufficient to meet adequately the emergency which arose.

And what was the reason? The Government of Bombay pleads the following :—

The recurrence within two years of a more extensive famine than those of 1876-77, and 1896-97 was not considered to be a danger to be seriously anticipated.

How fatuous is this reasoning and how strange indeed that a responsible Government should give it currency, when common sense informed the Presidency at large that one famine following closely at the heel of another, without having afforded any breathing time to the ryot to recuperate himself to however small an extent, cannot but hit him harder, and suggested that, therefore, the State should be fully prepared for the more distressing emergency certain to arise. On this defence of the Government of Bombay, just quoted, the *Times of India* (22nd November) had the following further scathing commentary :—

We have only to substitute war for famine, and the Commander-in-Chief for the Government of Bombay, to illustrate the utter untenableness of this explanation. . . . . The collapse of Gujarat was to some extent unexpected, but how do Government reconcile the confession in the fifth paragraph of their letter, that they under-estimated the resources and staying power of the inhabitants of that province, with the statement in the third section of the next paragraph that the relations of the Collector with the subordinate officers are so close that nothing abnormal should long escape his notice, and there is no chance of any distress occurring without his having had an opportunity for preparing for it.

The abnormal did happen. It was pointed out at the earliest stage by all outside critics, even the most friendly, that the second famine was of abnormal intensity, and yet the Government of Bombay obstinately adhered to that attitude of non-chalance, as if the thousands of deaths by starvation, which undoubtedly resulted from that attitude, were nothing to it! Every just critic of that Government will, therefore, agree with the perfectly fair observation of the *Times of India* that:

The mistakes of the famine administration are all traceable to the absence at headquarters of sufficient appreciation and knowledge of the conditions and economy of district administration.

GUJARAT INQUIRY AND GENERAL WHITE-WASHING.

Neither has the Bombay Government presented an edifying figure by its extraordinary action in the matter of the Gujarat Inquiry. Its Resolution thereon is even more indefensible than the excuse of its famine policy. After having instituted a judicial inquiry and received the verdict of the trying authority, it seems to have gone behind the judgment of Mr. Maconochie, and by a procedure which has been universally pronounced to be utterly illogical, if not something worse, tried to whitewash itself and the subordinates implicated from the allegations made in the Legislative Council by the Hon'ble Mr. Gokuldas K. Parekh, namely, tyrannising the destitute ryot and exacting revenue with the left hand, while doling out *takavi* advances with the right. Public condemnation of this way of disposing of the scandal is great, and I need not say that it has in no way enhanced the reputation of that Government. If at all, it has by its impatience of englightened and even authoritative criticism done its best to diminish the confidence of the people in the impartiality of its administration. Only two individuals stand not in shining relief in this matter—Mr. Maconochie and the Hon. Mr. Gokuldas Kahandas Parekh. The verdict of the former is accepted as being independent and impartial, while the great courage displayed by Mr. Gokuldas in proving his allegations to the hilt at immense sacrifice is universally praised. He has, in fact, fully vindicated himself and "Gujarati," his original informant.

IS THERE RESPONSIBILITY IN THE GOVERNMENT?

Gentlemen, I think I have now referred at sufficient

length to the extraordinary and most unconvincing defence the Bombay Government has made with regard to its famine policy, and would, therefore, refrain from further animadverting on it. We may leave that Government to derive such consolation from it as best it may. The more serious constitutional question, however, which arises from it should not be allowed to escape our attention. What we have to ask is, whether there is any responsibility with any authority whatever in this serious matter ? Or is it still the case, as was stated years ago, by John Bright in one of his memorable speeches, that in India it would seem that there are three kinds of responsibility, namely, "the question of divided responsibility, of concealed responsibility, and of no responsibility whatever." It should be borne in mind that there is great danger in a repetition of such error of judgment in future in any Provincial Government. It is, therefore, to be devoutly hoped that the beneficent intentions and instructions of the Government of India with regard to famine will everywhere be followed with scrupulous care and faithfulness in future operations, which we all hope may now be remote.

FAMINE CODES DO NOT PREVENT FAMINE.

This subject naturally leads us to the Famine Code itself. In all human affairs it has long been recognised that, hower perfect the measures may be, the value of their perfection greatly depends on the men who eventually happen to carry them out. In matters of State, the same proposition holds equally good. Hence, the Government of India may go on tinkering and perfecting its Code, never so long, but it is hopeless to expect that while the men, to carry out its excellent provisions in practice, are not of the right type, all the good that might be expected will be achieved. And, after all, what may the most

perfect Famine Codes accomplish? They will *not prevent* famine. At the best they are a set of instructions to guide and direct the famine officials how to act under given circumstances and how famine may be allayed. Though, therefore, the efforts which the Government of India makes, on the recommendations of each Famine Commission, to improve the Famine Code, are praiseworthy, it must be candidly observed that they are in a way futile. Not all the codes and pandects on famine relief will ever go to *prevent* famine by a hair's breadth. Statesmanship lies not in devising these Codes but in concerting far-sighted measures which shall *prevent* famine. Famine Codes are most useful when famine actually prevails; but by themselves they do not avoid famine.

IMPOLICY OF RUNNING FAMINE ON THE CHEAP.

Another point in the same connection may here be touched before I proceed to make a few observations on the prevention of famine. The Famine Commission compute the total direct expenditure on the last famine at ten crores of rupees, and the indirect at five crores more. But this aggregate expenditure of fifteen crores is characterised as excessive. They say it "far exceeds that incurred in any previous famine." Evidently, it is implied that the State in future should take care that such a large expenditure is not incurred. They, however, felt conscious while making the remark that it was liable to be misunderstood. So immediately follows the qualification, namely, that they

> do not for a moment advocate a departure from the humane policy of famine relief laid down by the Government of India; but experience has shown that the object in view can be attained at a moderate cost with little demoralization, if prudence and foresight be duly exercised, and if means be properly adjusted to ends.

As laid down in the abstract the principle is indeed admirable. But who is to be the judge of moderation? It will all depend on the view the chief officials at the seat of the Central Government may take at a period of famine. The Imperial treasury may be far from full; or it may be that it has to disburse large sums on other undertakings or on warlike operations. Under such a condition of affairs the Imperial fiat might go forth that famine expenditure should be kept well in hand—in other words, most niggardly incurred. The practical result of such an order may be easily anticipated. The provincial administrations would readily fall in with the views of the Central Government and endeavour to do all in their power to run famine on the cheap, as the Bombay Government actually did. The last found a convenient excuse for its own condition of unpreparedness by laying the blame at the door of the Government of India. This is the great evil to be avoided. In the case of Mr. Holderness' Circular alluded to, it is superfluous to observe that it was the subject of much hostile criticism throughout the country. In substance, it enjoined expenditure to be kept as low as possible, no doubt consistent with safety to the life of the famished (which was *the* point the supine Government of Bombay grievously missed) under the pretext of preventing people not in need of State aid flocking to the famine camps. That plea had really no solid foundation in fact, and remains unsupported even after the report of Sir Antony MacDonnell's Commission. As a matter of fact, if people began to crowd at the very outbreak of the famine in relief camps, it was because they found themselves utterly prostrate and destitute after the effects of the earlier visitation of 1896-97. They had absolutely no breathing time to recuperate themselves. Evidence

of the crippled and helpless condition to which most of the peasantry in the afflicted parts were reduced by the famine of that year is not wanting in Sir James Lyall's report. It is, therefore, quite intelligible there is greater influx of the starving at the very outbreak of the second visitation. But such a phenomenon should have been carefully investigated and its causes verified before taking unnecessary alarm and issuing that ill-fated Circular, which, in Bombay at least, worked so disastrously.

PRINCIPLES AND PRACTICE.

Having observed so much, it should not be understood that the abstract principle laid down by the Government of India is unsound, namely, that famine expenditure everywhere should be judiciously regulated with a due regard to the conditions of each locality. On the contrary, it is but right and proper that the State should safeguard the interest of the general tax-payer. But will all know how in Indian affairs principles laid down in the abstract are one thing, while their practical carrying out is another? In famine matters it is the case that some of the Provincial Governments, with their finances at a low ebb, are naturally prone to economise expenditure to a dangerously narrow limit. They always try to be one better in the exercise of their economic conscience than the Central authority itself. This tendency on the part of subordinate Administrations needs to be carefully watched and checked, as if unwatched and uncontrolled from above, it is prolific of the greatest mischief to the starving population. Again, in carrying out the instructions of the central authority for a judicious expenditure, it is highly essential that the human factor should on no account be overlooked. In famine relief operations finance has to be subordinate to humanity itself. Discrimination and human

sympathy for the woes and sufferings of the starving and the dying, of orphans and widows, of the sick and the infirm, of the less able-bodied and the helpless women—these demand paramount consideration. It is to be feared that it is a disregard of this special aspect of famine which eventually leads to illiberal expenditure every way and exposes all Administration to the adverse but justifiable criticism of the public. So much for the evil of circulars of the character just alluded to.

THE EXAMPLE OF THE CENTRAL GOVERNMENT.

But Provincial Administrations are also apt sometimes to be carried away, when, in obedience to so-called "confidential" circulars, issued by the central authority, called upon to practice economy of a penny-wise but mischievous character. This specially happens when the Imperial Government finds itself financially embarrassed by one reason or another. I need not recall here the two historical instances which occurred during 1877-78, with reference to the famine in the Madras Presidency and in the North-West Provinces. The Indian Government was then in a state of hostility with the Amir of Afghanistan. The Imperial treasury wanted all the money for the last object, but you cannot have forgotten what the sequel was. I pass over in silence the narrative of that most lamentable famine, which resulted in the terrible mortality of 12½ lakhs in the N.-W. Provinces, and of 20 lakhs in Madras, as related in the Famine Commission Report of 1880.

RATIONAL WAY OF EXPENDING MONIES ON FAMINE RELIEF.

It would be thus seen how dangerous is it to lay down a hard-and-fast line with regard to famine expenditure. Moreover, just ponder for a moment on the monies, which

the State spends like water on a border or trans-frontier war, the *raison d'être* even of which may be more than doubtful. Crores are spent on warlike operations, the ethics of which may be most questionable, on the plea of repelling external enemies; but when at our own door our own enemy claims victims by thousands and millions, the economic conscience of the Government seems to undergo a sudden evolution, the purse is at once tightened, and all economic lessons are at once remembered! In fact, the policy would seem to be that you may spend as many crores as you like on frontier scares and wild goose expeditions, but when it comes to laying low the internal enemy of famine at your very door, the man in charge of the Imperial treasury must sit tight and discourage all judicious expenditure! Let us hope such a policy will no longer find ascendancy in the Council of the Government of India. Expenditure on famine must be regulated in each instance according to its extent, its intensity, and the local circumstances accompanying it. It is the only rational method to pursue if the ultimate object is to see that not a single soul, as the Viceroy, be it said to the credit of his humanity, justly said, dies of starvation. And here it may be worth remembering that the monies spent, whether they be 10 crores or 15 crores, are, after all, the monies contributed by the very people for whose relief that expenditure is incurred. Cheese-paring expenditure and low mortality are never compatible. It is only by a discriminate and liberal expenditure that the starving millions can be saved from the jaws of death. We are, however, told that the Government is bound to watch the interests of the general tax-payer. But may it be asked who is that entity? Is he not the same individual whose class annually contributes well-nigh 50 crores to the Imperial Treasury under the following heads?

Land Revenue	...	... Crores	26
Salt	...	... ,,	$8\frac{1}{2}$
Stamps	...	... ,,	$4\frac{1}{2}$
Excise	...	... ,,	$5\frac{1}{4}$
Provincial Rates	...	... ,,	$3\frac{1}{2}$
Registration	...	... ,,	$\frac{1}{2}$

And is it not the case that it is the same mass of people who contribute those 50 crores who flock to the relief camps in times of famine when driven by sheer desperation and want? One-fifth of this annual contribution only comes to 10 crores. But, as is officially declared, famine recurs in the land once every 11 years, though, of course, the late famine was an exception. So that 2 per cent. of his own contribution once in 11 years is certainly not an extravagant expenditure to alleviate his distress in times of scarcity or famine. In other words, if you reserve one-fifth per cent. of 50 crores per annum, is it a great or extraordinary sum? Let me inform you, gentlemen, that in the matter of Railway Finance alone, the State incurs a net loss to the extent of a crore of rupees per annum, which is met from the ordinary revenues of the Empire. This fact may be ascertained by anyone desirous to verify it from the Administration Reports of Railways. It was brought out, again, in evidence before the Roya Commission on Indian Expenditure, and I would draw the attention of you all to Appendix No. 28, at page 225, Vol. II of the Report. But this crore is *unseen*, and therefore, attracts attention.

SIR CHARLES ON FAMINE EXPENDITURE.

It is, therefore, to be sincerely hoped that famine expenditure will be incurred in conformity with the peculiar conditions attendant on each famine rather than on any hard-and-fast lines which the Imperial Government may choose to dictate to suit its own peculiar exigencies of the hour. In this connection I am disposed to agree with the

remarks made by Sir Charles Elliott in his second contribution to the *Asiatic Quarterly Review* for October last, which critically examines the report of the Famine Commission. It is to be presumed most of you, if not all, have learned what views Sir Charles holds on the alleged excessive cost of the last famine. That distinguished official is a recognised authority on the question of famine. His experience of famine expenditure may be said to be even greater than any member of the Famine Commission. Sir Charles is not at all convinced from the evidence collected by the Commission that the cost was at all excessive bearing in mind, firstly, the intensity of the famine following as it did the one of 1896-97, and, secondly, the extent of the relief that was administered and the duration of it. Having said so much on this financial aspect of the Famine Commission's report, we may congratulate Sir Antony MacDonnell and his colleagues on other matters on which they have expressed their candid opinion. No doubt, almost all of us will differ as regards their pronouncement on the incidence of land-revenue assessment and the burning question of restriction of transfer. But it is satisfactory to note that in the main the Commission has endorsed almost all the objections urged by leading exponents of Indian thought in the country, and specially those raised in my own Presidency as regards suspensions and remissions of revenue and the concentration, as far as possible, of famine labour on village relief works and other cognate matters. It is also satisfactory to note the genuine testimony borne by the Commission, as all other experts in agricultural matters have done, to the skill of the Indian peasant. Here is a pregnant sentence which may be well borne in mind :—

> In the mere practice of cultivation, Agricultural Departments ave probably much to learn from the cultivator.

RECOMMENDATIONS OF THE COMMISSION.

As regards the many practical recommendations made by the Commission, it is not possible to refer to them in this place at any great length. This, however, may be observed: that if they are carried out in the spirit in which they are made, a wholesome change in the conditions of the impoverished peasantry may be slowly discernible. As matters stand at present, it is to be feared that it will be long before all traces of the evil effects of the last two famines disappear from the land. But meanwhile all the State can do, in pursuance of the recommendations now made, will no doubt to a certain extent tend to ameliorate his condition. At present he is so far crippled as to be scarcely able to stand on his legs. As the Commission says, the State will have to "put heart" in him with a view to rehabilitate him. Anything which contributes to bring back his former staying powers, the absence of which drove him, at the very threshold of the last famine, to the relief camp, will be considered as the first hopeful sign of returning prosperity.

THE CONVERTS FAMINE HAS MADE.

This brings me, gentlemen, to the subject of the *prevention* of famine. Till within the last twelve or fifteen months the entire official classes in the country and their supporters in the Press, as well as not a few outsiders, Europeans, of course, were so deeply ingrained in their belief as to the absolute impossibility of controlling famine that it had become well-nigh a hopeless task to reason with them and bring conviction home to their minds that however unkind Nature may be, and however harvests may be deficient owing to the inadequacy of the rainfall, famine itself, that is, the condition of destitution and suffering to which masses of people are reduced by drought, was preventible.

But the phenomena presented in all the afflicted localities during the last calamitous visitation, it is satisfactory to note, have spontaneously brought home that truth which arguments had vainly sought to teach. The conditions prevalent during 1899-1900 have themselves been the greatest teachers, and those who were so stubborn of conviction have been the first to acknowledge themselves as converts. It was observed that there was sufficient store of food in the country, the surplus of the grain produced by the more favoured provinces, to feed the hungry and the starving. But though the food-grains were there, there were no means for the famished to buy them. It was the revelation of this fact which wrought the conversion. And among those who were perforce obliged to admit the inexorable logic of that fact was the Secretary of State himself. After having persistently denied, no doubt from want of accurate knowledge of the real economic situation prevalent in the country for years past, that famine was preventible, his Lordship had to admit what the school of the pessimists had been endeavouring since 1896 to instil into his mind, that it was. That recognition was indeed no mean conquest of truth over the forces of ignorance, which had contributed so largely to a complacent belief in the optimism which declared that all was going well and nothing could improve so happy a condition of affairs. In reality, there was a confusion of ideas in the minds of the optimists. Drought itself was identified with famine. Sir William Wedderburn and others, with a clear insight into the questions derived from their superior knowledge and experience, pointed out time out of mind that drought, aye of the severest character, may befall a country, and yet there may be no famine, in other words, no sufferings to which the poor tillers of the soil, numbered by millions, are

subjected by reason of the effects of the drought. In short none has rendered greater service in dispelling that confusion than Sir William. And next to him, we may offer our warm and grateful thanks to Mr. Leonard Courtney, a statesman and an economist, whose views are listened to with the greatest respect and attention by both the great parties in Parliament. At the preliminary Conference of the Indian Famine Union held on June 7th, at Westminster Palace Hotel, he took special care to make it clear in his presidential address at the very outset what famine was. I think the observations he then made deserve to be repeated on this occasion, if only to emphasise their significance once more, and doubly convince that school which till late thought that famine was an act of Providence, and therefore, as impossible of check and control as the planetary system.

He saw an objection that would at once be raised by some, arising out of the improper meaning which were attributed by many men to the word famine. They would say that it was sought to abolish the alternation of the seasons, that there would be periods more or less of drought, that all the wise men in the world would not be able to prevent that in the future, and that they must, therefore, expect famine as a necessary thing in the future history of the world. But that phase did not cover the proper use of the word famine. He would not say that it was beyond the reach of human thought to abolish droughts ; it might be that by the partial reafforestation of India the risk of drought might be diminished ; it might be that by the continual conquest of Nature, we might be able to do away with the effects of that scarcity of rain which happened in a particular season, But famine was not drought, or even the lack of produce which followed from drought ; it was the sufferings of human creatures which was consequent upon these varying seasons, the deprivation of the means of sustenance that such seasons of calamity brought.

CAUSES WHICH HAVE LED TO FAMINE.

Having thus cleared the ground as to what constitutes famine, the next question which we have to consider is the causes which led to it. For, it is only when the

physician has diagnosed the disease that he is able to prescribe a cure. To probe, therefore, to the bottom of the cause or causes of the severe famines which have recently visited this country and which threaten to be more frequent than before, is the paramount duty of the citizen and the State alike. Practical remedies which in a measure may tend to minimise the sufferings of famine in the future are only possible and feasible when the true causes have been accurately ascertained beyond all contradiction. And here it may be not unuseful to remind you that famine is not a calamity known to India alone. Famines have prevailed all over the world from time to time. But we have heard very little of them during the last fifty or seventy years, save now and again in Russia, and sometimes in Ireland and Italy. Leaving aside all other countries, let us take the case of England alone. How is it that there at least for half-a-century past there is no such calamity as famine, though the country depends for two-thirds of its food-supply on foreign nations? Is it not the case that it is the vast and most satisfactory improvement in the economic condition of the English labourer and artisan which has banished the sufferings? There might have been any quantity of food-supply from foreign parts; but so long as there was the lack of the necessary means to buy that supply, the food for all intents and purposes might as well be at the bottom of the sea. Now the one phenomenon, above all others, which was discerned on the surface in India in reference to the last famine, was the almost total disability of the masses to maintain themselves and their families no sooner than the conditions of a deficient harvest were established. This phenomenon was not a new one. But what happened in previous famines was that the famished did not *resort to the relief* camps in

large numbers at the very outset. They did possess *some* staying power, some means which enabled them to subsist for a time without State relief. It was only when the pinchings of poverty became acute and began to be seriously felt, with the approach of the summer season, that they were to be noticed seeking relief. Why, then, this difference during the last famine specially ? The universal belief is that the staying power of the masses has vanished. That belief would naturally lead us to conclude that their economic conditions must have deteriorated. Here it seems there is a difference of opinion. There is the majority, more or less in full touch with the masses and their condition, which ascribes it to the growing impoverishment of the ryots, while there is the minority, chiefly the official classes, who attribute it to their imprudence and improvidence. In spite of this difference it appears that there is one agreement underlying the contentions of both. It is not denied that the ailment of the peasantry is an *economic* one. Economic causes, whether superficial, as one set of thinkers aver, or deep-rooted, as another set assert, are undoubtedly at work which have prevented the cultivator from saving enough in fat years to provide against the lean one. Of late those lean years have been many. The peasantry, in one locality or another, has not thriven since 1891. Bad harvests or woefully deficient harvests have been frequent, which have plunged them into a heavier load of debt, from which they have barely found time to relieve themselves and be on their legs again. This much is generally acknowledged. But most of us, from our closer contact with the masses—a contact which it is scarcely possible even the best of officials can ever claim—are further of opinion that in addition to the misery and destitution arising from defici-

ent harvests, there is the burden of the State-demand for enhanced land revenue assessments which is gnawing into the vitals of the peasantry. This demand is rigid and is collected with all the hardness of the cast-iron system, which British administration has introduced into the country. It is to be feared that periodical revisions of the Survey Department have not a little to answer for agricultural indebtedness. Instituted with the best of motives, it is now admitted by those who have carefully studied its history, say, from Lord Salisbury downwards, that revisions have been far from beneficial to the ryot. That great authority has observed in his memorable minute of 1879 that:

we may fairly discourage scientific refinements in the work of assessment which are a natural exercise of the intellect in highly cultivated officers but which worry the ryot, distribute the burdens of State with needless inequality and impose a costly machinery on the State.

Thus, the periodic enhancements have been oppressive and beyond the means of the payers who, over a greater part of the country, own on an average seven acres of land. To satisfy the burdensome call at inconvenient sessions the ryot is driven into the arms of the money-lender. Once in the clutches of that entity it is almost hopeless for him to extricate himself. But this cause is denied by the officials. It is declared that the assessments are light, and that the ryot, if he suffers at all, suffers from other causes. Here, then, is a difference of opinion. Now and again departmental or other committees have sat to trace the causes. These have demonstrated that the agricultural indebtedness of the peasant is chiefly to be attributed to rack-rents. More, there have been a few careful observers who, having fully studied this agricultural problem, have independently come to the

same conclusion that we have been entertaining these many years. I have to refer you, gentlemen, to the minutes of Sir Louis Mallet and Lord Salisbury on the subject, made as far back as 1879, and which are officially embodied in the appendices to the Famine Commission Report of that year. I would be taxing your patience and time too much if I here cited even a hundredth part of what they said. Suffice it to say that Sir Louis Mallet was strongly opposed to Survey Settlements and the enhancement of land-revenue, which was their logical resultant. He had no hesitation in observing that "the policy of further taxing the land might easily become a political danger." From the economical point of view, he regarded such a policy as "mischievous" and directly tending "to a progressive pauperisation of the community." This was said twenty years ago, but who will deny the prophetic character of Sir Louis Mallet's observation, with the knowledge and light of the two famines? Progressive pauperisation is a fact which cannot be ignored. But it was not Sir Louis Mallet alone who had scented the economic mischief from afar and sounded the tocsin of "political danger." As early as 1883, a thoroughly able writer, fully conversant with economic situation of the peasantry of the country, gave an equally serious warning in more unmistakable terms in the columns of the *Spectator*. It was observed that:

> The ultimate difficulty of India, the economic situation of the cultivator, is coming to the front in a most disheartening way and is exciting among the most experienced officials a sensation of positive alarm.

That was "the great Indian danger" of the future. He accurately described the situation as follows:—

> Tens of millions of persons there either can do or will do nothing but cultivate; and if cultivation does not pay, what hope have they? The traders do not buy more food of them for being rich,

and they have only food to sell. They can get their clothes cheaper through free-trades and railways, but they have reduced clothes to such an appreciable minimum that the saving is not a rupee a year per house. They need nothing save only land, and land, under the pressure of numbers becomes so dead, that either the profit per acre will not keep them, or they get too few acres for a maintenance. Other occupations would save them, but they must be occupations for millions, and where are they?

I ask you all the same question which the writer put eighteen years ago: "Where are they?" We should be all glad if there be a single official in the country who could unhesitatingly and courageously declare to-day that the description of the masses just related has been in any way exaggerated. Was he at all drawing a pessimistic picture when the same experienced writer further described the economic condition of the cultivators?

Five people cannot live and pay a direct tax in money and the interest of old debts at 16 per cent. upon five acres of over-cropped soil, without danger in bad years of a catastrophe. That is the position of the whole districts in India. All, however, that we want is a thorough examination of the subject by men who can lead opinion.

LORD SALISBURY ON LAND ASSESSMENTS.

Let me now refer to one more authority, the present Prime Minister. As Secretary of State for India, it fell to the lot of Lord Salisbury to review the whole of land-revenue policy of the Government of India in the seventies. Referring to the minutes of many of his colleagues on that policy, as questioned by Sir Louis Mallet, his Lordship observed that, "they mostly shrink from the general discussion" to which he has invited them. On his part, however, he gave his opinion in a most decisive way.

So far as it is possible to change the Indian fiscal system, it is desirable the cultivator should pay a smaller proportion of the whole national charge. It is not in itself a thrifty policy to draw the mass of revenue from the rural districts, where capital is scarce, sparing the towns, where it is often redundant and runs to waste in luxury. The injury is exaggerated in the case of India, where

so much of the revenue is exported without a direct equivalent. As India must be bled, the lancet should be directed to the parts where the blood is congested, or at least sufficient, not to those which are already feeble from the want of it.

HOW ENHANCEMENTS HAVE GONE ON MERRILY.

Gentlemen, it will be thus obvious to you that even, as far back as 1879, the condition of the peasantry was such that so well-informed a Secretary of State as Lord Salisbury, who was capable of forming an independent judgment on the merits of the land revenue policy of the Government of India, recognised the necessity of moderating the assessments. But what has been the actual fact? You have only to discover what has been the revenue derived from land in every province save Bengal, to learn for yourselves how much of the increase is owing to normal causes, to improved communications and to the law of unearned increment, and how much to pure enhancement unaccompanied by any reasons whatever. An exhaustive inquiry into this matter will, no doubt, bring facts to the surface to confirm the view universally held. Lord Salisbury would have a difficulty in pointing to the congested parts where he could apply the lancet with safety, for the body has grown feebler and feebler and is now in an utterly prostrate condition.

AN EXHAUSTIVE INQUIRY INEVITABLE.

If such, then, be the condition of the peasantry, is it not time then an exhaustive inquiry of an open and independent character long since demanded should be instituted, so as to collect all evidence which may decisively determine the principal causes of the present agrarian situation? For, it is superfluous to add that any palliative measures to superficially remedy the actual disease can never lead to the improvement which we are all anxious to seek. The misfortune is that, in the first instance, the Government

of India has shrunk from doing so. It has long since dreaded to drag into daylight this great skeleton in its cupboard. But the irresistible march of circumstances is certain to leave it no alternative but expose it. A public inquiry, therefore, is inevitable. Government cannot any longer play the policy of the ostrich. It is more statesmanlike to face the ugly question and find out the truth. It is the safest as well as the speediest course. For the longer it is delayed, the worse will be the agrarian situation. And not all its legislative measures will be able to avert what Bacon calls the "rebellion of the belly," when it sets in right earnest. As the *Manchester Guardian* (November 2) has tersely put it :

> We are forced to ask ourselves whether these economic evils may not be traced directly or indirectly to that famous system of government which has been slowly built up by the labours of many great Englishmen, and whether, while anxious to do our best for India, to give her a thoroughly just and good administration, we are not unconsciously undermining the foundation of Indian society, which rests upon the peasant cultivator in his village community. . . . The whole system of land tenure and of taxation is called in question by the repeated famines, each worse than the one before it, which we have witnessed of late years.

RECOMMENDATION OF THE INDIAN FAMINE UNION.

It is, therefore, to be devoutly hoped that the inquiry which the Indian Famine Union has prayed for in its most influentially signed memorial will be speedily granted. It is similar in principle to the inquiry which the Congress itself has aked for. The time for criticism has passed by, and that for constructive statesmanship has arrived. But the construction can only proceed upon a solid foundation, of ascertained facts. The materials for the foundation, therefore, are the first essential. The inquiry should consist of an examination into the economic condition of a limited number of selected villages by means of Provincial Commissions of officials and non-officials in whom the public have

confidence specially chosen for each Province. I am inclined to the view that a single roving Commission going all over the country is most unlikely to achieve that object. Each Indian province differs from another. Each has its own idiosyncrasies and conditions. It is therefore essential that a Commission of experienced persons of local knowledge should inquire into the agricultural condition of each of the typical villages in their own respective provinces. Perhaps the expenditure of such Provincial Commissions may be somewhat large, but in my opinion it will be more than repaid by the valuable recommendations they may make. It would be grievous in this matter to have a dead uniformity all over the country when each province differs so much in economic conditions with another. What may suit the villagers in the districts of the Punjab can hardly be said to suit those residing in the districts of Southern India. When the exact economic position of the different provinces with their history and the causes of their difficulties is ascertained, we shall be on solid ground. In my opinion, the best way to proceed would be to ascertain from the books of sowcars, traders and others, the prices of wages, corn, and so forth, and the cost of cultivation and maintenance at one period and compare it with similar statistics of the latest year before the outbreak of famine. It may be also important to learn which may be the villages which can boast of tiled roof houses instead of the humble thatched ones; what may be the general quality of the food; what may be the domestic furniture, whether metallic things have replaced the primitive earthen ones and so on. Lastly, the percentage of households which may have shown these increased marks of prosperity. It is only by such a comparative compilation of statistics that the increasing prosperity or growing impoverishment of

each of the typical villages can be found on which to build a fairly stable inference and proceed thereafter to prescribe the necessary remedies. Meanwhile, it is advisable to suspend all further land legislation of the mischievous character of the Bombay Land Revenue Code. It cannot be said that the agrarian legislation of the last twenty years for the amelioration of the peasantry has rendered any good. Look at the Deccan Agriculturists Relief Act alone, which Sir Antony MacDonnell's Commission has pronounced to be a failure; for it has come to the conclusion that indebtedness has increased, rather than diminished, in the four districts which have been under the operation of the measure for the last twenty years.

MISCHIEF OF BOMBAY AGRARIAN LEGISLATION.

Nothing at this juncture in the administration of India is more to be deplored than legislative measures for the so-called improvement of the peasantry. History teaches a painful lesson in this respect which, it is to be hoped, the Government of India will bear in mind. Agrarian reforms, to cure a desperate agrarian situation, whenever undertaken in opposition to the views and the interests of the peasants, have ended in great political disasters. We need not refer to what distinguished Roman writers have said of the agricultural conditions of their own times. Again coming to modern times, we need not refer to the condition of affairs in France, in Turkey and in the United States. In my opinion the less there is of agrarian legislation in which is to be discerned more of the arbitrariness and cupidity of rulers than their moderation and justice, the better for the peasantry and the country. Justice must be respected. Let him who sows reap, and let him who plants the tree eat its fruits. Such injustice in agrarian legislation, where the cultivator is

sought to be deprived of a larger and larger portion of the fruit of his labour, must eventually culminate in slavery. The ultimate result of this policy is, that the labour of the peasant is blighted and becomes barren leading to those economic evils from which he now suffers. It is to be feared that so far as the new Land Revenue Legislation of the Bombay Presidency is concerned, these evils are likely to show themselves in all their ugliness as its operations extend. None doubts the beneficent intentions of the Government. But, after all, such intentions are judged by results. That there will be no such result, as the Government affects to believe will follow the measure, seems to be the firm conviction of the people at large, even after the debate that has taken place in the Council. It is greatly to be regretted in this matter that no attention has been paid to the popular voice. The Viceroy himself declared at Bombay, in that memorable speech he delivered at the Town Hall in reply to the address of the Bombay Municipal Corporation, that he was most anxious to listen to that opinion. And yet he refused to consider the appeal of the public to suspend the sanctioning of the Bill and allow them reasonable time to examine and consider the provisions of the amendment which is undoubtedly of a revolutionary character and which seeks to establish State landlordism in the country, which one of his predecessors, twenty years ago, repudiated on behalf of his Government. I have no inclination to enter into any disquisition on the subject of land tenures in the country. This is not the time nor the place for it. I only beg to draw your attention to one fact, and it is this : that, as Sir Louis Mallet observed, there is absolutely no fixity in the land-revenue policy of the Government. Everything varies with the views of successive Governments. Hence have arisen a

mass of inconsistencies in its land-revenue system. Lord Salisbury cynically observed :

> Have we any grounds for thinking they will cease? They are not merely subjects of reproach; they are a warning of the fashion after which our Indian Government is made. By the law of its existence it must be a Government of incessant change. It is the despotism of a line of kings, whose reigns are limited by climatic causes to five years.

But the despots return to their homes, while the effects of their despotic action remain to harass and annoy a much enduring and patient people. Consider, gentlemen, the action of the Government of Lord Curzon, in the matter of this Land Revenue Amendment Act, whereby the perpetuity of tenure in survey lands has been "by a stroke of the pen" abolished. It is the first forcible attempt at the assertion of State landlordism, which the Government of Lord Lytton indignantly repudiated :—

> We do not accept the accuracy of the description that the tenure of land in India was that of cultivating tenants, with no power to mortgage the land of the State, and that land is the property of the Government, held by the occupier as tenant on hereditary succession so long as he pays the Government demand. On the contrary, the sale and mortgage of land were recognised under the Native Governments before the establishment of British power, and are not uncommon in Native States at the present time. It has been one of the great objects of all the successive Governments of India since the days of Lord Cornwallis, if not to create property in land, at all events to secure and fortify and develop it to the utmost. The Government, undoubtedly, is the owner of a first charge, the amount of which is fixed by itself on the produce of all revenue-paying land in India, but over the greater part of the Indian Empire, it is no more the owner of the cultivated land than the owner of a rent charge in England is the owner of the land upon which it is charged! (Despatch, 8th June 1880, para 31.)

FAILURE OF ALL LEGISLATION.

It was thus against the revolutionary character of the legislation that the Bombay public prayed for delay, but which was refused, while those non-official members who took a leading part were characterised by the Honourable Member in charge of the Bill as incapable of comprehending

the very elements of reasoning, and by another as guilty of reckless and perverse misrepresentation. Such language would not, on behalf of Ministers, have been allowed to go unchallenged in the House of Commons. But in India it seems that the amenities of our expanded Councils, where representatives of the people are invited to advise and aid Government in law-making, demand that those in power and authority should flout the representatives of the people and charge them with dishonesty when they attempt to express their honest opinion. That the representatives were offended is shown by the way in which the foremost of them, in giving his reply, expressed himself on the unpleasant incident. The Honourable Mr. Mehta observed, addressing the President :

> My Lord, I acknowledge, as I said in answer to the remark of Mr. Monteath, that it is open for the people who take another view of a question to be intolerant enough to doubt the capacity, ability or intelligence of those opponents; but it is going altogether beyond the bounds of decorum and propriety, to say nothing stronger to question their honesty. Speaking on my own behalf of my colleagues who think with me in this matter, I lay an emphatic claim to having devoted such ability and intelligence as we possess to the consideration of this question and to laying the view which we have thus formed before this Legislative Council. I lay a still stronger and more emphatic claim to the integrity and honesty of purpose as well as of myself, however egotistical it may seem, as of those colleagues who hold the same views as I do upon this subject.

There is not the slightest doubt—and I have the best authority for saying it—that it was this breach of decorum that contributed not a little to accentuate the previous determination, openly declared in the Council, of the dissenting members to retire from the Council Hall as soon as the amendment was lost. All enlightened and self-respecting Indians have approved of that course, and I refrain from saying anything more on the subject. But I repeat, gentlemen, my conviction that for a genuine

improvement in the material condition of the Indian peasantry the less of legislation there is the better. And what may it be asked, has been the effect of our land laws during the past twenty years? Were not each and all of them enacted with the single object of bettering the condition of the peasantry? Has that object been attained? The very fact that they are still tinkering and tinkering them, now in the Punjab and the North-Western Provinces, now in Bombay and the Central Provinces, now in Bengal and Madras, under one form or another, is evidence conclusive of the non-fulfilment of the object. In short, the statute-book is groaning under the accumulated weight of the agrarian legislation of the last quarter of a century, without the slightest benefit to those on whose behalf it has been undertaken. Their net effect has been to aggravate the original economic evils which it was intended to cure. The legislative remedies have proved worse than the disease. While the peasant wants bread, the State makes him a present of its legislative abracadabras. Gentlemen, you cannot be unaware of the official reports which reach us from time to time of the return of material prosperity to the Fellaheen of Egypt. What may have been the chief cause which has led there, especially during the last seven years, to that prosperity? Has there been any land legislation of the character the various Indian administrations have passed within recent years? No; legislation is the last thing which Lord Cromer has thought of while improving the condition of the Egyptian cultivator. Why? It should be remembered that his Lordship was not unaware of the land laws of this country. As a matter of fact he was no unimportant a member of the Viceregal Legislative Council, which introduced the Bengal Tenancy Act of 1883. Again, it was he who had, with the help of Sir

David Barbour, made a semi-official enquiry into the condition of agriculture in the various provinces, the gross income of the ryot per acre, and collected all other kindred statistics. And yet Lord Cromer, as the Minister Plenipotentiary of the English Government in Egypt, in spite of his Indian experience, has eschewed all land legislation. Why? The answer is not far to seek. Because he was quite convinced that paper statutes never advanced the welfare of the Indian ryot. The means he employed were more practical. Firstly, he thoroughly understood that throughout the world the agriculturist suffers for want of the necessary credit and capital. With the assistance of these, the agriculturist could always be kept free from debt, and be enabled to labour assiduously to improve the outturn of his produce, with benefit to himself and the State. Secondly, Lord Cromer also knew that irrigation was the first essential where Nature was freakish in her seasonal bounties. No doubt, they have the Nile in Egypt, but that river has existed from time immemorial. It did not, however, prevent famines. What was wanted was a judicious distribution of water, and a system which stored it for use during a season of deficiency. Irrigation, therefore, was of paramount importance. The Fellaheen may have all the capital needed to till their land, but if the necessary water was not there, they could do little. Lord Cromer, with the eye of the practised and far-sighted statesman, devoted his attention to extended and improved irrigation. You all know the colossal irrigation works on the Atbara now going on. Thus by the establishment of a national bank, on rational principles which immediately meet the requirements of the Egyptian cultivator, and by extended irrigation works, Lord Cromer has been able most successfully to achieve the amelioration of that entity

and lead him on to the path of comparative prosperity. But you will observe that if he has been able to accomplish so much, it is owing to the entire absence of the agrarian legislation of the kind which the autocrats who reign for five years in this country are so fond of introducing. Egypt for the last fifteen years has been singularly fortunate in possessing as its virtual ruler, without interruption, a British statesman of great pluck and energy, of foresight and immense experience, who unhampered has been allowed to work out his benevolent project for the benefit of the millions of Egypt. Once for all a broad and generous policy, far-reaching in its beneficent and vivifying influence, was laid down and it has been allowed to be carried into practical operation uninterrupted and unfettered by circumlocution, red-tape and a dozen other obstructive and contradictory elements more or less of a character, how not to do it which are so rife in India.

EXTENSION OF VICEREGAL PERIOD.

This fact leads me to offer one observation in this place. In India, it is highly expedient, as the *Times of India* sagaciously observed two years ago in an article which may be read with profit at this juncture, that when we have a good Viceroy of a practical turn of mind, imbued with a deep sense of his responsibility and intent on rendering lasting good to the masses, as Lord Curzon seems to be by universal consent that he should be allowed to remain at the helm of affairs for a longer period than the orthodox one of five years, so that he may be in a position to achieve all the good which his knowledge and experience may have derived during the first term of his office. It is indeed most curious that a capable Viceroy, who is known to be rendering good, should have to lay down his office at the very time, or the psychological moment, when India

has the greater need of utilising to her best advantage his previously acquired experience.

Ex parte OFFICIAL REPORTS ON LAND ASSESSMENTS.

If, then, you ask me what remedies may be recommended to Government for extricating the ryot from his present condition of indebtedness, and gradually leading him on to the path of prosperity, I should reply that the fundamental reform, whence all other reforms must naturally flow, is a modification in the present policy of land-revenue assessment in vogue in the different provinces. For the last two years and upwards, thanks to Mr. R. C. Dutt and his untiring perseverance and patience, the controversy has been going on as to the oppressive character of the assessment. Here, too, there are two schools of thought—the official—which contends that the assessments are light, and the non-official, which avers to the contrary. Where there is such a diametrical difference of opinion, it is always best to find out the truth by exploding the fallacies lurking in the facts and arguments of either side. There ought to be a judicial pronouncement of the moot question, on the basis of reliable evidence which may be collected by means of an impartial tribunal specially appointed for the purpose. Unless such a judical and exhaustive inquiry is undertaken and a final verdict pronounced, it is to be feared this controversy is likely to remain interminable. But it is wisdom that the sooner it is closed in the manner suggested, the better. The future land-revenue policy should, then, be based on the ascertained opinion of that tribunal. But it will never do to flourish before us a mass of one-sided facts and arguments of Commissioners and Collectors as are to be found recorded in those precious serials of Survey Settlement Officers published from time to time. They

are purely *ex parte* and not subject to the cross-examination necessary to arrive at the truth.

IRRIGATION *versus* RAILWAYS.

Meanwhile extended irrigation works of all kinds, small and large, by means of canals, tanks, reservoirs, wells wherever practicable, and the harnessing so far as possible, after careful investigation, of some of the large rivers after the manner of the Godavary in the past by General Sir Arthur Cotton, are essential. Next, of course, is the stimulation of credit and capital, and, lastly, elementary education suited to a large rural population. It is, however, satisfactory to notice that after the experience of the two severe famines, the State has now taken the first step towards improving and extending existing irrigation and taking new works in hand. A Commission is already sitting on the subject, taking evidence under the presidency of a talented Engineer, who has been mainly instrumental in achieving success with irrigation works in Egypt. It is to be hoped that the report of Sir Colin Scott Moncreiff and his able colleagues may prove most practical. Our only regret is that the State should have for so many years subordinated irrigation works to railway construction at railway speed—a procedure against which your representatives entered their protests before the Royal Commission on Indian Expenditure. I would quote only one or two passages from the report of the Commission of 1879 to inform you how far the Indian Government had neglected the golden recommendations of that Commission, with the late Sir John Caird as its most expert member. It observed :—

That among the means that may be adopted for giving India direct protection from famine arising from drought, the first place must unquestionably be assigned to works of irrigation.

But the Government assigned it a second place only. Instead of appointing an Irrigation Commission which was the first essential, there was appointed in 1883 a Parliamentary Select Committee on Railways. Thus while 150 crores of rupees have been spent on railways since 1884, only twenty crores have been expended on irrigation. But I need not tarry to inform you of the beneficent results which by this time might have arisen from spending on wells and tanks even fourth the sum incurred on railways. Not that the Government was not made aware of the economic advantages to the State and the ryot alike of irrigation. For the Commission of 1879 further remarked that:

It has been too much the custom, in discussions as to the policy of constructing such works, to measure their value by their financial success, considered only with reference to the net return to Government on the capital invested in them. The true value of irrigation works is to be judged very differently. First must be reckoned the direct protection afforded by them in years of drought by the saving of human life, by the avoidance of the loss of revenue remitted, and of the outlay incurred in costly measures of relief.

Unfortunately this golden counsel, I repeat, was never taken into serious consideration till the second Famine Commission of 1898 once more accentuated the advice, with some further pertinent observations to answer those who, in the interval, had waxed most eloquent on the wonderful miracles of railways. In paragraph 536 of its report, the Commission observes after referring to the expenditure on famine protective works, that:

Experience has shown that on the occasion of a widespread failure of the rains, railways, however useful and necessary they may be, do not keep down prices to a point at which the slightest pressure only is left. So far as they equalise prices, they widen the area of scarcity, though lessening the intensity elsewhere of famine. Though they bring grain to tracts liable to famine in years of drought, they also prevent large accumulation of grain in those tracts in years of plenty.

Thus railways have been no unmixed blessing. Moreover, it is now recognised that, after all, they are only a means of speedy distribution of grain from one place to another, but they in no way add a single rupee to the wealth of the country. But it has taken years to explode this fallacy at the seat of the Central authority. In these matters it would seem that the Government has been far behind the march of enlightened Indian opinion. It required three Commissions and two severe famines to recognise and become alive to the supreme importance of extended irrigation, wherever possible and practicable which, in the long run, actually stimulates agricultural wealth. The Famine Commission of 1879 openly said:

It is not only in years of drought that irrigation works are of value. In seasons of average rainfall they are of great service and a great source of wealth giving certainty to all the agricultural operations, increasing the outturn per acre of the crops and enabling more valuable descriptions of crops to be grown.

Next, in para. 544, the Commission of 1898 has pointed out that since 1880, an average return of 6 per cent. net on capital outlay has been realised on irrigation works which can hardly be said of railways. On the contrary, the last are still losing something like a crore of rupees per annum to the general taxpayer. That I am not speaking at random on the subject of this net loss by railways, I have to draw your attention to the Appendix in the Report of the Royal Commission to which I have already alluded. It will be seen from it that in fifteen years there was a loss of over 51 crores. That, owing to low exchange, in late years there was a heavy loss on guaranteed railways may be admitted. But I may inform you that apart from these railways, almost ninety per cent. of the State lines have been hitherto losing concerns. The following statistics, which are worked out from the latest

table officially published in the *Gazette of India* of 6th July 1901, will make it evident to all what a drag on the annual revenue are the railways. In all there are fifty-one railways (excluding the East Indian) which lost from the date of their construction up till 1900 to the State, Rs. 43,34,72,459. Of these six only show a net gain :—

(1)	Rajputana-Malwa	.. ...	7·26 crores.
(2)	Warora Colliery	... ...	0·10 "
(3)	Eastern Bengal	... ...	1 10 "
(4)	Nalhatti	... ...	0 01 "
(5)	Patna-Gaya	... ...	0 09 "
(6)	Lucknow-Bareilly	... ...	0·01 "
			8·57 "

The rest, namely forty-five lines, have lost between them 51·91 crores. Thus, deducting the gain of the above six lines, the net result was a loss of 43·34 crores to the State? The total capital outlay of the six lines was 40 crores. The capital of the losing lines was 167·46 crores. The total capital equalled 207·46. On this the net loss was 43·34 crores. All these lines began to be constructed after 1870. If, therefore, we take it that they generally began to earn profits five years after the date of their completion and allow the older and new lines an average earning period of twenty years, we shall in no way be exaggerating the loss. Thus, these railways have lost on an average 20 per cent. in twenty years or, say, 1 per cent. per annum! This is the result. But it will interest you to know something of the principal losing lines.

		Capital in crores.	Loss from the beginning in crores.
(1)	North-Western Railway ...	50·71 ...	25·33
(2)	Oudh and Rohilkhund ...	12·56 ...	3·39
(3)	South Indian	7·53 ...	2 79
(4)	Southern Mahratta	9 82 ...	4·36
(5)	Indian Midland	10·31 ...	2·86
(6)	Bengal-Nagpur	17·51 ...	2·00

I beg to draw your attention, gentlemen, to the enormous loss on one line alone the North-Western Railway, which, on a capital of 50·71 crores has lost 25·33 crores. Of course, it is to a large extent a Military Railway. But I ask why the annual loss on such a railway, which is purely constructed for Military purposes, is not debited to the Military Department just as all charges for mobilisation. You will observe that the above six lines alone make up more than half the total capital outlay and that they have managed to lose between them 40·73 crores or, say, nearly 40 per cent. to their capital! Contrast this railway finance, gentlemen, with the total capital outlay from the beginning of 32 crores on irrigation works which, even after taking into account the non-productive or losing ones, have paid net 6 per cent.! It should be remembered that even the East Indian Railway, with all its profits, does not yet yield to Government, after deducting the amount of profits payable to the Company which manages the line, more than 2½ per cent. per annum on its capital, according to the latest official return. Of course, I am aware of the fact that 50 years hence this railway would be the entire property of the State and would then form a most "valuable asset" against State liabilities. But, meanwhile, I think it is but right that I should point out to you its present paying character. You will thus see what has been the financial burden on the taxpayer of extended railways at breathless pace. Even admitting their utility, is it possible that any country, much less so poor a country as India, can afford the luxury of the annual losses described above? And what, it may be asked, is the fair market value of the losing concerns? Does the Government expect to realise anything near their respective book cost?

AGRICULTURAL BANKS.

As to the agricultural banks, it is some consolation to notice that after well-nigh twenty years the project, due to the initiative of Sir William Wedderburn, has been revived and that the Government has recognised its importance. It is satisfactory also to notice the institution of an expert Committee to consider the practicability of the scheme from the point of view presented by the existing conditions. Opinions, however, seem to differ. The Committee has framed its scheme on the basis of the Co-operative Credit Societies on the Continent. Their principal object is, no doubt, co-operative banking on a modest scale, with safeguards of a rigid character. Its principle is entirely voluntary. Friendly co-operation must take the lead. Where such co-operation is formed, it will have to regulate its practical proceedings on the lines formulated by the Committee. No doubt here and there some rudimentary Co-operative Societies are already in existence. The one in Multan is supposed to be doing well. On our Bombay side there is an agricultural syndicate, which has done some useful work and which needs development. These small institutions now in existence lead one to hope that after the passing of the present scheme by the legislature, there may be a genuine movement for the establishment of such Co-operative Credit Societies. A good start, with good management, is the first element of success. The *sowcar*, I mean the honest usurer, is not likely to view his rival with anything like friendliness or favour. At any rate, he will closely watch its proceedings. And if he finds in the end that the new Credit Institution is in no way inimical to his interests, he will slowly endeavour to recognise its importance. Whether in the process of time, which may be many years, he will entirely identify

himself with these societies and become its guiding spirit and beneficent fairy is a problem. But anyhow the most satisfactory feature of this new scheme is the wisdom the Committee has exercised in recognising the absolute importance of the *sowcar* in the domestic economy of the ryot. To the Committee, he is not the black tyrant and blood-sucker that he has often been represented. After all, the Committee is aware that the enlightened self-interest of the State in India demands the existence of the *sowcar*. Without his aid it would become impossible that the crores of land-revenue could be so punctually gathered from year to year.

CREDIT.

So far, then, the scheme promises to be hopeful. Whether this kind of banking will eventually become popu lar and stimulate thrift and industry remains to be seen. In fact, thrift and industry are the two cardinal virtues of the Indian peasantry, despite all assertions to the contrary. What the ryot badly wants is capital and credit. As to capital, it must first exist in the country and as to credit it is a serious question whether with the new fangled legislation in vogue which has sought to restrict the right of transfer in land, credit will be improved. Good security means good credit. But where the former is next to non-existent, how the latter may be established is a question difficult to answer. The *sowcar*, whom the Committee invites to help the Co-operative Societies, will think twice and thrice how he may foster credit on nothing.

WANTED ELASTICITY AND SUCCESS OF THE EGYPTIAN SYSTEM.

It is also a moot point whether the scheme has in it all those elements of elasticity to ensure fair success. Anyhow it is possible that, even after a full and fair trial, these societies will prove a success and not a failure

as the Deccan Agriculturists Relief Act. Again, my fear is that what is easily understood and practised by a European peasant is not possible to be understood and practised by an Indian ryot. The German farmer, for instance, thoroughly understands the principles of the Raiffesen System and profits by availing himself of the advantages offered by it. But is it possible that the illiterate Indian peasant can do so? Are not all his agricultural environments cast in a different mould from those of the German or Italian? It is a great mistake to slavishly follow the European system in this respect when, on the face of it, it is recognised as most unsuitable. I am, gentlemen, personally more inclined to look with favour on the monetary system in vogue for the last six or seven years in Egypt to help the rural classes there. One reason, of all others, which inclines me to it is the great success that has already attended the operations of the Egyptian system. Bearing in mind that the Egyptian cultivator differs little from his Indian brother, it is safe to assume there are more chances of success in following it than the one about to be tried here. The National Bank in Egypt has an autonomy of its own, and is every way unshackled in its operations save so far as the collection of instalments brings it into contact with Government. In its nature, I take it to be a refined edition of the *sowcar*, but without the sowcar's cupidity. The bank is quite content to earn but ten per cent. on its monies, out of which it fully spends four on charges of collection and rural agency. It sends, like our local Insurance Companies, a large number of experienced and trustworthy agents to the various villages to ascertain the position of the applicants requiring capital. After due enquiries reports are made. On the basis of these reports advances are made, and instalments of an easy character

are fixed. Collection of instalments is made, in which Government aid is taken. Hence there is a Controller appointed by Government to scrutinise all transactions. But beyond this there is no other State supervision. Such a practical scheme, already a great success, would have been preferable. I would recommend instituting one National Bank at least of the character established in Egypt in each Province of the Empire with its branches in the districts. But I entertain no dogmatic opinion on the subject. Nothing would give us greater satisfaction than to see a modest beginning made on the right lines which would attain the principal object we have all in view for the better improvement of the pecuniary condition of the Indian peasantry. Hence, a full and fair trial is essential. Experience may discover defects which might be remedied, and thus give greater permanence to it and offer better chances of success as years roll on.

As to education of the rural classes, it is unprofitable at present to say anything. The question of education is our despair. If even after well-nigh fifty years the Provincial Governments, in spite of growing revenues, cannot afford to spend directly from their respective treasuries an amount in the aggregate larger than a crore on all kinds of education, it is hopeless to expect that they would spend anything like a reasonable sum for the education of the rural classes. I, therefore, refrain from making further observations on this melancholy subject, though Lord Curzon has of late revived some hope in this direction, which, it is much to be wished, may be fairly realised.

GRAIN STORAGE.

In connection with this question of famine prevention, it is also essential to bear in mind whether the annual

export of food grains, chiefly wheat and rice, to foreign countries does not contribute somewhat to increase the intensity of famine when drought occurs. The quantity exported varies from year to year according to the demand, but the average of the last five years may be taken as 21 lakhs of tons per annum. The surplus left is not much. The Commission of 1898 came to the conclusion, after most elaborate calculations and searching tests, that:

> Having regard to the degree to which the increase of population appears to have surpassed the increase of food crop areas, we are inclined to the belief that whatever may have been the normal annual surplus of food grains in 1880, the present surplus cannot be greater than that figure.

The quantity was five million tons, but both Sir James Caird and Mr. Sullivan observed that they were "unable to place any confidence" in those figures. They computed that at the best the surplus was just enough to last ten days for the whole of the Indian population! Under the circumstances they strongly recommended the storage of grain, which was the immemorial practice in the country, and which continued till the system of payment of the State dues in cash instead of kind, and the indebtedness of the ryots, chiefly arising from enhanced revenue assessments, swept it away. Sir James and his colleague remarked that:

> In a country where the annual surplus of grain is so small and where it cannot be increased by foreign importation, the absolute need of reserves in seasons of scarcity for the supply of places difficult of access, becomes almost imperative. The most effectual remedy for this would be to encourage the storage of grain in such localities in seasons of plenty.

They recommended that Government should do, through the village officials, for the safety of the poorer classes, what the wealthier now do for themselves. The people live on different varieties of dry grain, grown in their several districts, which is the specific food they are

accustomed to. As this common grain is rarely an article of export, its storage could in no way interfere with the operation of foreign trade, and, as the storage would be subdivided in every village, it could be done without disturbance to the usual operations of husbandry. In seasons of abundance, stores may very conveniently be made. A village of 400 inhabitants, cultivating 400 acres of grain, may be reckoned to have 40 of the class for whom the storage is proposed. It was estimated that a store of 7 tons would suffice for this number during a year of famine, and the quantity required might be secured out of two years of good crops during the interval at the rate of $3\frac{1}{2}$ tons for each year, without any pressure on the rest of the people, while the storage of that quantity of grain would be a simple and inexpensive operation. The value of these practical suggestions has in no way been diminished even after the lapse of twenty years. On the contrary, the importance of storage is deemed of more paramount necessity for the future than in 1880 after the experience of the two recent calamitous visitations. Storage is an indispensable condition of safety, specially having regard to the continued exports and the greater poverty of the masses. The less the stocks of surplus grain, the higher the prices when a severe drought overtakes the country. But a large rise in the prices of food grains signifies so much starvation to the poor who are unable to buy them. It is a matter of regret that this point of view is seldom borne in mind by the officials. Even if present to their mind, they take no steps to remedy the evil. The depletion of food-stores is an evil. The abundance of it means low prices, as the deficiency of it means the contrary. Then, as the masses are poor, they cannot buy the grain at famine prices, so that the inevitable result is

starvation and death. Hence it is essentially imperative that situated as the Indian masses are, storage in the simple and inexpensive way suggested by Sir James Caird should be one of the means whereby famines may be prevented, and hitherto I do not think I have noticed any very serious objection being raised against it.

OTHER SUGGESTIONS.

It is not suggested that Government should have public granaries at special centres. Neither is it suggested that arrangements for storing grain should be made for the benefit of "thieves and rats" as Mr. O'Conor cynically observed when replying to a question of the Famine Commissioners of 1898. No; the latest Famine Commission has strongly recommended relief works as far as possible nearer the homes of the famished. Relief within a short distance of villages is advocated. And it is in this connection that the system, as recommended by Sir J. Caird, or in its more modified form, free from all objections, as was very wisely suggested in the columns of the *Statesman* in August 1900, fits in admirably well and is, therefore, deserving of a fair trial, and I say this, in face of Lord Curzon's declaration at Budget time that he would doubt the sanity of those who recommended grain storage. We have an eminently successful trial in this matter, which also can be easily followed. Mr. Parvati Chowdry, a zemindar, has admirably succeeded, by establishing "Dharma Gola" in his own villages, and his "Note" on the same subject, alluded to in a recent issue of the *Amrita Bazar Patrika*, requires respectful attention from the authorities. I have now exhausted the subject of the prevention of famines. It is to be earnestly hoped that the practical lessons of the two famines will be seriously borne in mind, for it goes without saying that the con-

sequences of another visitation of the character and intensity of the last is certain to add to the difficulties and anxieties of the Government. Even the *Times*, with all its desire to echo the optimism prevailing at Calcutta and Westminster, is constrained to observe that:

> It may well be doubted whether a day is not coming when not all the resources of the British Empire will suffice to cope with a succession of bad seasons and a final failure of the rains over an extended area.

This is an ominous warning, of which those responsible should not fail to take a note.

CONDITION OF THE MASSES.

I would now crave leave to rivet your attention or what has been a burning question for many a year—I mean the condition of the masses. All are agreed that India, compared with the countries of Europe and the Far West, is poor. At the same time it is alleged that the standard of living is low, and, therefore, the prevailing poverty is not of an appalling character. It is, indeed, natural for our alien rulers that they should resent any serious allegation which might in any way reflect on the character of their rule. It is certainly not pleasant for any civilised Government to be told that its people are steeped in abject poverty and that that poverty, according to all symptoms, is growing. But when such a disagreeable statement is made, practical statesmanship suggests that its correctness or incorrectness should be conclusively demonstrated. For such a purpose two courses are open. Either the Government, against whom the allegation is made should court a full and fair inquiry in *coram populo*, say, by means of a disinterested and impartial tribunal of experts, reputed for sifting evidence of irrefragable facts gathered from each district, and probing the truth to the bottom; or it should

collect through its own trusted officers such reliable statistics as shall enable the public to draw its own inference one way or the other. In my own opinion, the first method is preferable to the second. An open inquiry in broad daylight, conducted from district to district, where witnesses could be put through the searching test of cross-examination as regards average produce in a given series of years, their average value, the range of wages, the cost of living, the saleable price of land itself, and all other circumstances essential to a right understanding of the true conditions of the people, is the most satisfactory. If the seal of public confidence is to be set on such an investigation, it is superfluous to observe that publicity and close examination of facts are absolutely essential. Unfortunately, for reasons best known to itself, the Government has shrunk from instituting such an open inquiry, though more than once appealed to. In India, it is always so difficult to conquer the hydra of hide-bound officialism.

METHOD OF COMPUTING NATIONAL WEALTH.

The second method is departmental. It is the one which the Indian Government has twice adopted, one in 1882 and another in 1888. But it is deemed extremely unsatisfactory, for in its nature it is secretive. Circulars are sent round to the district officers to make inquiries. The public never knows what are the instructions conveyed to them and what may be the scope allowed to the officers, because the circulars are marked "confidential." Accordingly, "confidential" reports are made to which "confidential" replies are given. The results are embodied in a "confidential" despatch to the Secretary of State. If some member of Parliament is inquisitive enough to ask that functionary whether he would place it on the table of the House, he obligingly answers in the affirmative on the

understanding that the papers should be considered "confidential." They are never allowed to be published for general information. This bureaucratic mode in State affairs, in which the public are vitally interested, can never inspire any confidence. And the publication of mere extracts, which their own self-complacent optimism may choose to select, cannot satisfy public curiosity, much less carry conviction home. Of this nature was the inquiry very hurriedly made during the closing months of the Viceroyalty of Lord Dufferin. Selected facts and extracts from the "confidential" reports of district officials were afterwards published in the official *Gazette.* But it cannot be said that there was any systematic attempt at computing the annual income, agricultural and non-agricultural. That was only done once during the Viceroyalty of Lord Ripon in 1883. Sir David Barbour was entrusted with the work. He calculated that the income from all sources was Rs. 27 per head against Rs. 20 computed by Mr. Dadabhoy Naoroji. But the details of the figures by which the aggregate was arrived at were never disclosed. Some official figures, however, had found publicity through members of Parliament. And ten years later, Mr. Dadabhoy, when in the House of Commons, put a series of elaborate interpellations in the matter. On 6th April 1893, he asked the Under-Secretary:

Whether in 1882 the Finance Minister of India estimated the average income of each inhabitant of India at Rs. 27 per head; whether the estimates were based upon the contents of a Note entitled 'An Enquiry into the Incidence of Taxation in British India,' prepared by Sir David Barbour; and whether the Note contained the following particulars:—

Agricultural Wealth per Head of the Population.

Presidency or Province.	Rate per head, Rupees.
Bombay	22·4
Central Provinces	21·6
Madras	19·0

Presidency or Province.	Rate per head, Rupees.
Punjab	18·5
N.-W. Provinces and Oudh	16·4
Bengal	16·9
Burmah	27·6

I may mention that Sir Evelyn Baring had referred to the above identical figures in his speech in the same year that they were worked out at the introduction of the Bengal Tenancy Act. At the time the value of the agricultural income was calculated at 332 crores of rupees. Including Burmah and Assam it was 350 crores. The non-agricultural income was put down at 175 crores. The total was 525 crores. This sum, divided by the population of the day, viz., 19·45 crores, gave Rs. 27 per head. In the same Note, the value of the gross produce of the different provinces was given as follows :—

	Crores.
Punjab	34·15
N.-W. Provinces & Oudh	71·15
Bengal	103·50
Central Provinces	21·25
Bombay	39·00
Madras	50·00

GOVERNMENT DECLINES TO PUBLISH DETAILS.

The result of the interpellation was that the Secretary of State declined to lay the full Note of Sir David Barbour, referred to by Mr. Dadabhoy, on the table of the House. Mr. Dadabhoy further moved to have a similar return made for submission to Parliament based on the latest statistics available till 1893 ; but this also was refused. So far, it will be seen that the Government was disinclined to take the public into its confidence, much less to allow it to offer by the publication of all the details a sound and healthy criticism thereon. The estimates, moreover, were all made out in secret, and the broad results alone were made known. What were the actual

details of each province, namely, the quantity of agricultural produce, the several prices at which it was computed, and so forth, were never disclosed. Hence there was no means of testing the accuracy of the figures. In October 1900, at Simla, and later on, at Budget time in March last at Calcutta, Lord Curzon observed that his latest estimates of agricultural income showed Rs. 20 per head against Rs. 18 in 1880. Here, too, we have practically not been informed of the details on which the estimates have been worked out. Hence the public interested in the question have no means of testing the accuracy of the statement. Both, frankly admits Lord Curzon, are mere estimates. The data are not "incontrovertible." "There is an element of conjecture in them, but so there was in the figures of 1880." It will be thus perceived that after all both estimates have been pronounced by the highest authority as merely conjectural. But Mr. O'Conor, the Director-General of Statistics, whose department furnishes all statistics, goes even a step further than the Viceroy. Asked by the Hon'ble Mr. Bose, one of the members of the Famine Commission of 1898, whether, as matters stood, it was possible "to estimate with any degree of total accuracy the total food-supply in the country," he replied as follows :—

I tried to make an estimate when the famine broken out a year ago, but abandoned the attempt finding it was not possible to work it out satisfactorily We do not even know accurately the area of production of food grains. I think the estimates in Bengal are extremely defective ; then, we do not know the areas in the Native States ; in the Madras Presidency we have no information as regards large tracts ; in fact, our information is fragmentary" (*vide* page 5, Indian Famine Commission Report, 1898, Appendix 7, Vol. 1).

After such an authoritative declaration by the Director-General of Statistics himself, it is needless to observe that no scientific statistician or any statistical society of

reputation, such as the Royal Statistical Society of England, would accept either set of statistics of agricultural income, unless they could be scientifically verified. But verification implies, in the first instance, all details; and, in the second place, absolute accuracy. When we bear in mind that the different provinces are differently situated, with different outturns of food and non-food crops, with varying prices and wages, it is no light task to bring the data of all the different provinces to a common denomination and deduce results therefrom which might be reasonably accepted as correct. Moreover, the very method of computation should proceed on recognised scientific principles. Next, if one period is to be compared with another, it is necessary to take into consideration a series of good and bad years, so that there may be every probability of coming nearer to the truth. For instance, if the last computation of the annual income was made in 1880, and if, for purposes of comparison, another is to be made at present, it is essential to take into account the total agricultural income during the last twenty years and strike an annual average. We do not know whether the figures quoted by Lord Curzon have been worked out on this principle, otherwise it is entirely misleading to take the year 1900 only and base a comparison thereon. Indian harvests are subject to such violent fluctuations that unless a series of fat and lean years are taken together, it would not be right to select certain years and reject others. So far as to the statistics themselves. But further care is necessary to see that the system of computation itself, which may be adopted in one period, is the same as that is adopted in another if a fair comparison is to be made. All exceptional factors in each period should be eliminated and the constant factors brought on an identical level. For

these reasons it would be unsafe to accept the estimate given by Lord Curzon at the last Budget time. And more unsafe still would it be to institute a comparison with the figures of 1880 and attempt to draw an inference therefrom, be it favourable or unfavourable. To take one instance only. What may have been the produce per acre in 1880, and what may it have been on an average during the twenty years which ended with 1900? Lord Curzon has told us that in 1880 the yield was computed at 730 lbs., while his own estimates are based on 840 lbs. But he offers us no proof in support of the statement! Here, too, the public is not made aware of the details which could be verified. We are always advised by the authorities to verify our own facts before submitting them for their consideration. Are we not in turn entitled to ask Government to give us conclusive proofs of their own facts touching agricultural income? Even, assuming the outturn of 840 lbs. per acre for both periods, it would seem that taking the quantity produced per head of the population, the result would show that in 1880 it was 793 lbs., and in 1900, it was 740 lbs. Then, again, can we rely on the prices as annually recorded for food and non-food crops published in the yearly statistical serial when experts discard them as valueless, they being all the figures on a fixed day either in January or July? Again, the retail prices which are more or less compiled on hearsay by the semi-illiterate village accountant, can hardly be relied upon.

AN EXPERT COMMISSION IMPERATIVE.

It is almost unprofitable under the circumstances to pursue these official statistics, of which no details are offered for purposes of examination and verification. If the Viceroy is anxious to prove to the world that both

agricultural and non-agricultural income has increased during the last twenty years, he would be greatly assisting the independent public by placing before it all evidence in full detail, which could be tested on principles which scientific statisticians have formulated. Either, then, this evidence must be made available to the public, or a public inquiry should be instituted. The value of the latter method of investigation cannot be too highly rated. For what has been the case for years past? The school of pessimists, at whose head is the veteran Mr. Dadabhoy, observe that their own detailed inquiry, based on statistics supplied by the officials themselves, leads them to infer that the annual income now is less than what it was in 1880. Mr. Digby is the latest and most capable exponent of that statement. I need not refer to the elaborate open letter he addressed some months since to Lord Curzon. You have all perused it, and each of you could judge for yourself after verifying his figures. On the other hand, the optimists, who almost all belong to the governing class, contend, " as Lord Curzon did in March last, that;

the movement is for the present distinctly in a forward and not in a retrograde direction; that there is more money, not less, in the country; that the standard of living among the poorer classes is going up, not down.

Thus, the one school directly contradicts the other. As far as the pessimists are concerned, I have already stated that they were for testing the accuracy of the figures of 1880, and hence an appeal was made to the Secretary of State in Parliament to publish all the details. But that official shrank from courting the critical examination for which they were wanted. It is scarcely intelligible why that functionary should have adopted an attitude of *non-possumus* in this respect. The object of both schools is to reach the bottom of the truth. If, then, the truth regard-

ing the present condition of the people, as compared with what it was in 1880, is to be ascertained and placed beyond all cavil, why should there be such a reticence about making all information available to the public? It is the duty of every just and well-organised Government to find out whether prosperity is decreasing or increasing among its subjects. If it be decreasing, the causes of such should be discovered so as to remove them. Shepherds of people, as Bacon says, must needs know the disorders in a State of which economic ones are the chief. If that be the political axiom of all Governments, ought it not, *a fortiori*, to be the axiom of an alien Government like that of the British? Gentlemen, I will give you an instance. Italy, after the return of King Victor Emmanuel to Rome, was in an extremely bad plight. The condition of the people was miserable. For some years things went on from bad to worse. The tendency was to allow the economic situation to drift. But at last the day of reckoning came, and the Government was forced to appoint a Royal Commission to inquire into the condition and discover what was the real national wealth. It was presided over by Count Jacine, and the investigation proceeded on lines suggested by scientific statisticians. Lord Curzon has, during the three years of his Viceroyalty, nominated at least four Commissions. What is there to prevent him from appointing a fifth one, of independent experts, European and Indian, to determine the true national income and set at rest this long pending controversy? In my opinion, such an inquiry has become imperative, and that would be the wisest statesmanship which could adopt such a course. It is, however, a matter of regret that, on the one hand, the Government and its apologists in the Press, both here and in England, resent the statement of

the pessimists, and try to discredit the figures, which are really supplied by itself; on the other hand, it refuses to give publicity to all the details on which it founds its own deduction as to the improvement in the condition of the masses. It is not unnatural if, under such a condition, there is no popular confidence in official statistics, while popular pessimism grows apace and derives fresh emphasis from the actual economic phenomena to be witnessed before their very eyes. The Government should not, therefore, fight shy of the proposed inquiry, be the result what it may, for it is a serious question, vitally affecting the welfare of millions of people. If, on the one hand, it is found that the national income has increased, the present bogey of the pessimists will at once be laid low. The people will be rejoiced to learn that, in spite of calamitous visitations, they are progressing favourably. On the other hand, if it is ascertained that after all there is growing impoverishment, it would be well for the optimistic school, at whose head are the Secretary of State and the Viceroy, to drop their complacent optimism and strive to remedy the evil by stimulating agricultural and other industries. The Government of India years ago accepted the postulate, as was laid down by the Famine Commission of 1879, that the ultimate object of the Government should be to maintain agricultural and other operations at the highest attainable standard of efficiency. In its despatch twelve years ago, it fully acknowledged its responsibility in the matter. It admitted that the cultivators and their families, and their cattle must be properly fed, and their needs for labour, irrigating, machinery and agricultural implements adequately met. Insufficiency of food, as well as deterioration or lack of such mechanical appliances, must diminish the effectiveness of labour, and thereby

reduce the produce of the country. Hence the Government cannot divest itself of the responsibility of allowing agricultural operations to be maintained at that high standard.

EVIDENCE ON THE CONDITION OF THE MASSES.

This being the recognised responsibility of the Government, let me put before you the evidence which is to be found in official papers and reports as to the actual condition of the masses at present. I need hardly refer to the result of the inquiry made during Lord Dufferin's time, fully familiar as you are all with it. It was bad enough in all conscience, though, to avoid disquietude at home, it was represented that it need cause "no anxiety at present." But what has been the condition of the self-same masses since? Let me quote the words of the report of the Famine Commission of 1898:

> This section is very large, and includes the great class of day-labourers and the least skilled of artizans. So far as we have been able to form a general opinion upon a difficult question from the evidence we have heard and the statistics placed before us, the wages of these people have not risen in the last twenty years in due proportion to the rise of prices of the necessaries of life. The experience of the recent famine fails to suggest that this section of the community has shown any large command of resources or any increased powers of resistance. Far from contracting, it seems to be gradually widening, particularly in the more congested districts. Its sensitiveness or liability to succumb, instead of diminishing, is possibly becoming more accentuated, as larger and more powerful forces supervene and make their effects felt where formerly the result was determined by purely local conditions.

The accentuation, it is needless to say, came two years later on with a vengeance, and it is now a matter of history how at the very outset of famine conditions in 1899, millions swarmed to the relief camps, absolutely prostrated and without any means whatever to buy food, I leave it to you, gentlemen, to contrast this dismal state of affairs with the general statement made in the Council

by Lord Curzon in March last, as to growing improvement and better standard of living. I leave it to you to judge whether you can reconcile the one condition with the other.

TWO SALIENT STATEMENTS OF THE VICEROY TRAVERSED.

Leaving the question alone, it may not be amiss to one or two other salient points in Lord Curzon's Budget speech. He is reported to have said that in a country largely dependent for its maintenance on agriculture, the time must come when the agricultural income must cease to grow by reason, firstly, of increase of population and, secondly, by the limit of land further available for cultivation. Under such a condition, it is prudent for a far-sighted Government to stimulate non-agricultural sources of wealth. None will dispute the general accuracy of the second statement, but is it proved that after a certain limit is reached, there cannot be any more agricultural productivity? It may be that the land is not so well cultivated as it ought to be; that owing to variety of reasons, want of capital, measure, and so forth, a plot of land may be capable of growing a larger quantity of product but cannot do so. As far as India is concerned, the best experts, from Sir John Caird to Mr. Voelcker and Mr. Leather, have unhesitatingly declared that there is every reason to expect that, with better means and resources, the productivity of the soil might be largely increased. When India can only grow 9 bushels of wheat per acre, for instance, against 30 and more produced in Europe and America, it goes without saying that the proposition, as laid down by the Viceroy, cannot be universally predicated. Certainly, it cannot be so predicated of India. It is, therefore, the duty of his Lordship's Government to do all in its power to stimulate that productivity. In the proportion that the economic

condition of the ryot is improved, will there be a corresponding improvement in the country's agriculture. Unfortunately, it is notorious that up till now the Indian Government has practically done next to nothing to promote agricultural industry in a way to induce greater prosperity to the peasantry. On the contrary, the evidence almost everywhere is to discourage that industry by a variety of harsh measures, legislative and executive. A considerable relaxation or modification of those measures is the first necessity. But so far the State seems to stuff its ears with cotton when appeals are made to it for lightening the burden of land assessments. It should not be forgotten that the revenue was formerly paid in kind, which in times of drought was everyway better suited to the ryot than the present one of cash. Moreover, now-a-days the ryot's crops are mortgaged, even before being harvested. However high the price may be for its crops, he realises little profit out of it for himself. He is in no way better, perhaps worse. It is the middleman who is enriched. To the ryot only the load of indebtedness becomes greater. All these facts have to be duly weighed when it is light-heartedly asserted that it is impossible for Government to further stimulate agricultural industry. It is in its power to do so, as I have just suggested. If I may be allowed to offer an opinion on this subject, I would venture to say that agriculture in the country can still be made a great deal more productive. But this is not possible so long as the Government fails in its primary duty. The pressure of the land-revenue system being relieved, and other undue severities of forest and other laws which affect the domestic economy of the masses being relaxed, agriculture must materially improve. But the State refuses to recognise that assessments are heavy. As a matter of fact, how-

ever, it arrives at the conclusion because it has not yet cared to find out what is the real ratio which the gross produce bears to the assessment, and what surplus actually remains in the hand of the ryot after all charges of cultivation, interest on loans, etc., are deducted. It is quite possible to conceive of the gross agricultural income increasing and yet the net income of the producer a diminishing quantity. This aspect of the question also demands attention.

THE MONOGRAPH OF SIR EDWARD LAW ON ECONOMIC PROGRESS.

Then let me briefly refer to the so-called facts of "economic progress" with which the Finance Minister so regaled us in his last Financial Statement. He says that, "close examination of certain material facts will afford further proof that recuperative powers are no idle assumption." Sir Edward Law then refers to a few figures of recent imports and exports, to the consumption of salt, savings bank deposits and so forth. As to imports and exports, can any sound inference as to the real commercial progress of the people be drawn from merely exhibiting superficial figures of a triennial period? But Sir Edward's statements are open to so many challenges that all I can do in this place is to put the following queries to which, it is to be hoped, he will make an effort to reply fully, supported by irrefragable evidence, next Budget day. None will be more glad than myself to see a very satisfactory answer to every one of them. What are the scientific data on which to base the theory of the commercial prosperity of any country? Can India, which is a debtor country, and withal subject to foreign rule, be ever commercially prosperous when the naked fact of an annually increasing indebtedness and a large balance of exports, for which there is no return, is to be clearly seen? Can

the abstraction of at least thirty crores of the national produce of the country, year in and year out, without the slighest hope of return, ever point to "recuperative" resources or tend to any material accumulation of the surplus national capital which, in other countries, develops true trade, arts, industries, and manufactures? Is it true that the large imports in piece-goods, in metals, in railway and building materials, in sugar, and so forth, are entirely or mostly on account of foreign capital, temporarily invested in the country? Is it true that the large exports in rice, in cotton, in jute, in oilseeds, in tea, and so forth are entirely or mostly on account of foreign capital, temporarily invested in this country? If true, where would the so-called commerce of the country be if there were an absolute withdrawal of that foreign capital? Apart from these facts, where is the evidence that in the consumption of the articles required by the masses there has been any progress worth speaking of during the last twenty-five years, *pari passu*, with the growth of the population? Are the masses in a position to buy to-day even a single yard more per annum of Lancashire goods than they were in 1875? How much of the metals now imported belong to foreign capital, and how much to indigenous capital? Has the State ever taken out fair statistics of the percentage of imports and exports belonging to Native States? Has it done so similarly for the foreign capitalists? And has it found out what is the real share of the people of British India; and, if so, what was that share per head of the population in 1875 and in 1900? Has the consumption of salt per head of the population since 1886-87 increased or diminished? Was it not 33,729,954 maunds in that year, and was it not 35,727,256 maunds in 1900-1901? In other words, is it not the fact that in 1886-87, the consumption

per head was 13·9 lbs. and in 1899-1900, 12·7 lbs.? Is that a sign of the prosperity of the masses or a deterioration in their condition? Is it true that larger balances at Post Office Savings Banks signify greater prosperity? If so, may it be asked how is it that the deposits per head, which came in 1889-90 to Rs. 164, have since steadily gone down till ten years later they came down to Rs. 125? Is that phenomenon to be seen in the savings of people in Europe, in the United Kingdom, and in the United States? On the whole, it would be rash to share the opinion of the Viceroy and his Finance Minister that the condition of the people is undergoing improvement. The positive evidence is against the statement. Where there is no reserve, no accumulation, no wealth, where millions live from hand to mouth on a bare wage, from season to season, on a low diet, it is rather bold to assert that there is increasing prosperity. Rather we are obliged to agree with the Duke of Argyll, who had not studied in vain the economics of India, that

> of poverty and of destitution, more or less temporary and among individuals in European countries, we know. But of chronic poverty, and of permanent reduction to the lowest level of subsistence, such as prevail only too widely among the vast population of rural India, we have no example in the Western world.

Thus, poverty must be admitted as the normal condition of India. It can only be dispelled by a wise, gradual and continuous betterment of the poor. The three E's of Count Tolstoi are necessary for the country's welfare, namely, Enrichment, Enlightenment and Emancipation from superstition and oppressive burdens.

THE ECONOMIC EVILS OF ABSENTEEISM.

It is to be feared, gentlemen, that so long as absenteeism, which is the principal feature of British Rule, exists, it is not possible to see any improvement. The abstrac-

tion from year to year to foreign parts of the national produce to the extent of thirty or forty crores without any hope of return, is considered the greatest obstacle in the way of national prosperity. The fact cannot be denied that the sterling obligations have increased from ten millions in 1874 to eighteen millions sterling. It must be admitted that the annual resources of the Indian people to that extent are drained away to foreign parts for which there is absolutely no return. Whatever the causes which lead to these obligations, there can be no gainsaying the economic results of that process of abstraction. The obligations we all know consist of pensions and allowances to European officials, interest on railways, stores, and so forth. But it should be remembered that the payments are compulsory, that is to say, they have not been voluntarily incurred by the people. In fact, the consent of the Indians has never been taken in the matter. Secondly, the payments by themselves are considered excessive. Nowhere in the civilised world are higher salaries and pensions paid than in England. But as a mattter of fact the salaries, pensions and allowances paid to European agency in this country are even greater than those allowed in England. So far they are unparalleled. The difference between the present rulers of India and their predecessors consists in this that, while the latter employed the indigenous agency and lived in the country, the former govern by their own, which is imported. However heavy or burdensome or tyrannical the taxation may have been in the case of the former rulers, the economic effects were not so disastrous as they are at present. I do not here raise the question even of the *justice* of the payments. That, again, would lead us to another branch of the controversy. My object here is to point out, solely and exclu-

sively, the mischievous economic aspect of the costly foreign agency. Let us, for argument's sake, admit that the payments are just; but I ask every enlightened and fair-minded person, official and non-official, whether or not a country must grow poorer for the ceaseless drain of 30 to 40 crores of its annual wealth—the fruit of the children of the soil—without any return. Just consider the aggregate amount of this drain since 1860. It comes to 624 crores, without taking into account all private remittances in shape of profits of merchants, traders and planters. At the very least these should come to 300 crores, say, a total of 900 crores. But I entirely leave the last out of account and confine myself to the officially recorded figures of the Government's Home Remittances only, and I appeal to the economic sense of our rulers to say whether such a colossal abstraction from year to year is not the real cause of the poverty of India. If these 624 crores had remained in the country, what might have been the condition of the people to-day? Capital accumulates capital. Take a single instance of a specific character. Here are 180 indigenous cotton mills; of these 81 are in the city of Bombay. How have they multiplied? Is it not the case that the very earnings or savings of capital made by the dozen or two dozen at the beginning have tended to a large extent to multiply the concerns? But if capital accumulates capital, how may it be possible without any accumulation worth mentioning that India can grow richer, that it can embark on new and profitable industrial enterprises? It is superfluous to refer to the axiom of the economists that industry is limited by capital; that where there is a lack of capital, it is not possible to foster arts and manufactures and industries. If, then, the fountain

source, instead of being replenished, is annually being drained away, is it an exaggeration to say that the time may come, unless other intervening factors neutralise their effect, when the process of exhaustion must bring its own nemesis. The fact is, India is not free to choose its own administrative agency. Were it free, is there the slightest doubt that the entire administrative agency would be indigenous living and spending their monies in the country? India, I repeat, is not free, and, therefore, it has no choice in the matter. The governing authorities, in the first place, have most strangely willed that almost all the higher posts shall be held by men, who live a while here, and then retire to their own country. Even another great modern Asiatic power, Russia, is not known to import wholesale Russian agency to carry on the work of administration in the distant provinces of Central Asia! But we are told that the European agency is extremely limited. It counts no more than 17,300 persons. True. But contrast the annual expenditure of 16 crores incurred on their account with the $2\frac{3}{4}$ crores earned by Indians. Did England sit quiet while the Plantaganets were filling all the high offices from France to the great disadvantage of the English themselves? Was not England pauperised when the Papacy was rampant and abstracted millions from it annually, as history has recorded? Would England refrain from complaining, supposing that the position of India and England was to-day reversed?

ASIATIC POVERTY.

The grievous error is, that the present system of administration is not regulated by economic laws. Again, while India is characterised by what may be called Asiatic poverty, our rulers govern it on principles of what may be called Asiatic immoderateness. In Asia, everything is on a

colossal scale, its mountains and rivers, its seething population, and so forth. In fact, as an accomplished writer has observed,

> Nothing in Asia is sufficiently restricted: empires are too big, populations are too vast; all features of Nature are too huge; the arts are too gigantesque; the powers entrusted to men are too powerful; calamities are too widespread; all things have in them a trace of immoderateness as if gods and men alike had lost the sense of wise limitation . . . Everything from the powers of kings and the conceptions of men to the forces of Nature is gigantic, enormous, fatiguing to the brain. In fact, when measured, as all things must be measured, all things by a standard of which man is the unconscious unit, is immoderate.

While the country is poor, it is ruled at a cost unheard of in any part of the civilised world. It is thus that poor as India is, it is being made poorer by the economic anomalies which our Western Rulers have unfortunately introduced into the country. It is, of course, argued on the other side that though the administration is costly, it is of a superior character to that which the Indians, had they been free, might have had. True. But the Indians then would have cut their coat according to their cloth. And as they grew richer by commerce and manufactures, they might have, in a natural way, aspired to higher standards of civilised government. But it would have been folly for India to have risen at once to a pitch of the highest form of civilised government without counting the cost—millions which it could not have afforded and which must have eventually ruined it. In short, no country can with impunity continue to offend the laws of economy, which are based on Nature herself. The justification urged, therefore, can hardly stand. As an able economist has observed in the *Statesman* on this question, I will say :—

> Admitting, for argument's sake, that the defence of the existing system, so far as it rests on facts, is a good one, it is good in respect only of payments to Europeans made for such services as could not be performed by Indians consistently with the country's

welfare, and in respect of such payments only so far as they are not excessive. Any other payments made for the services of Europeans are clearly payments made for the benefit, not of India, but of the ruling race.

But I cannot further expatiate on this burning question. All I can say is, that England is doing the greatest injustice in this matter to India for which she shall have one day to pay most dearly. The whole question of the agency of administration demands radical reform. As Mr. N. N. Ghose shrewdly observed in his able Provincial Conference Address, at Midnapur, the two great branches of the Service are now an anachronism, and the time must come, however it may be artificially protracted, when there will have to be a fundamental change based on justice and equity, in spite of monopolies and powerful vested interests. Meanwhile, it is our duty to press this subject from time to time before the British Public and educate it to realise the enormity of the economic evils arising from the erroneous policy pursued at present and the incalculable advantage of economy and efficiency for the welfare of the masses, certain to accrue from the full and free employment of Indians in the higher grades of the Services.

INDIAN FINANCE.

This brings us to the question of Indian Finance generally. At so late an hour, it would be tiring your patience to dilate at length on it. But when we are exultingly told of the recuperative resources of India, and the miracles which a succession of Finance Ministers are supposed to have wrought, we cannot but smile at the complacency of those who indulge in such high-coloured optimism. Our attention is directed to fat surpluses, which are no more surpluses than indirect transfers of property from the pockets of the voiceless taxpayers to the coffers of the omnipotent tax-eaters.

It may be an ingenious, but not an ingenuous, way of raising the wind—this device of creating a surplus by debasing the currency and putting into circulation the rupee at 16 pence when it is only worth 11 pence. It is further observed that this nostrum has steadied exchange and relieved in a measure the Indian treasury of the heavier burden of the Home remittances. It is, however, curiously forgotten that not at all the steadiness of exchange in the world can reduce by a feather's weight the true burden of the taxpayer. He has, anyhow, to remit 18 millions sterling annually. As things go, the remittance has to be made in the shape of exports of produce, which is part of the annual wealth of the country. In reality, produce equivalent in value to that amount has to be sent year after year, be the exchange what it may. Be it 12 or 24 pence, it makes not the slightest difference to the tax-payer in the burden he has to bear.

NO TRUE SURPLUS.

But apart from the meretricious methods of balancing the annual Budget, whereby deficits are converted into surpluses and *vice versa*, let me enquire whether India has anything like a *true* surplus of revenue. Such able and accomplished Finance Ministers as Sir John Strachey and Lord Cromer have placed on record their deliberate opinion that there is none. When the State incurs debt from year to year, and has managed to pile quite an Ossa of loans, whether for productive or non-productive purposes, amounting to 317 crores without the slightest attempt at repayment of it by means of a sinking fund, it is idle to talk of surpluses, more especially when the "assets" do not represent "the commercial value of the undertakings" —mostly your losing railways—as the Secretary of State

is obliged to remind members of Parliament in his annual "explanatory memorandum."

TAXATION, ARTIFICIAL CURRENCY AND ITS MULTIFOLD EVILS.

Moreover, it is forgotten that the so-called surpluses of recent years have been obtained by means of extra taxation, which has been raised from time to time since the era of the Penjdeh scare and the seizure of Upper Burmah. The license tax was converted into income tax in 1886; next, the salt duty was enhanced by 8 annas per maund; later on, the import duty of 5 per cent. on all articles of merchandise, save coal and machinery, was levied; and, lastly, the $3\frac{1}{2}$ per cent. duty on cotton fabrics. Each time the taxation was levied or enhanced, the plea put forth was low exchange, though it was pointed out that the plea was a hollow one. The annual average increase in this new and enhanced taxation comes to 7 crores of rupees. It was all earmarked, successive Viceroys having openly promised, as may be ascertained on a reference to their speeches in the Council, that it would be remitted as soon as the finances permitted. Exchange was the continuous burden of their song; but exchange, according to their own boast, is now stable. The necessity, therefore, of the enhanced taxes has ceased to exist. But it is a matter of regret to have to state that the public faith in the matter of this taxation has not been kept. Public faith has been greatly shattered by the additional indirect taxation that has now been levied by means of the artificial appreciation of the rupee, against which the whole country has protested. While millions have to pay dearly for a pinch of salt, a handful of fat people are still allowed to draw exchange compensation on the principle, it is presumed, that to him that hath shall be given. The evil effects of the artificially managed currency on the producers

were fully pointed out by me on this platform at the time and even before the closure of the Mints. I had forecasted the evils which have been now realised. Those engaged in industrial pursuits, chiefly tea and cotton, have not been slow to point out how the evil effects have told tangibly on their earnings. Their spokesmen and recognised organisations have publicly drawn attention to the injury entailed on them. In the Bombay Presidency, the wail is that Japan has benefited by the closure of the Mints. The *yen* has still a better purchasing value than the Chinese dollar. Hence Japan is better able to compete with, if not undersell, Bombay yarn in the common markets of China. The tea-planters of Calcutta and Assam, too, have similarly complained. Their grievance is, that the artificial rupee gives a poorer return for their sales in gold-using countries, and that this poorer yield is in no way compensated for by cheaper cost of production. An intelligent controversy is still going on in the Press, specially in the *Capital*. In Bombay, Mr. J. A. Wadia, a shrewd mill-owner, has been inditing a series of letters on the subject. Again, we have the outside independent testimony of Mr. Kopsch, late Commissioner and Statistical Secretary of Imperial Chinese Maritime Customs, as related in the pages of *The Empire Review*. He observes there that:

> The marked falling off in Indian textile fabrics suggests a rise in price owing to the fictitious value of the rupee, and consequent decline in demand, whereas the Japanese exchange still remains about *par*.

Again, speaking of the falling off of British export trade generally with the Far East, Mr. Kopsch remarks that the,

> real explanation appears to be that 'the enhanced silver price of our goods, due to the demonetisation of the white metal, completely nullifies every advantage acquired by extended and free markets, as one example will show. Our shipments to China in

1890, when exchange averaged 5*s*. $2\frac{1}{4}$*d*. aggregated £9,138,000, and ten years later (1899) when the rate only yielded $3\frac{1}{8}$, our exports for the year remained the same, say £9,038,000, though possibly larger in bulk, notwithstanding that we have now a vastly greater field to supply. But if we convert these sterling shipments to Chinese currency, it will be found that merchandise of the same sterling value which cost 35,232,497 *taels* in 1890 now requires a payment of 60,046,186 *taels*. or an increase of 70 per cent.—an impost calculated to stunt any possible growth.

These remarks are worthy of serious consideration. Mr. David Yule, of your city, has in more than one speech of his as Chairman of the Calcutta Bank, referred to this evil effect of the artificially inflated rupee. The opinion of so sound and level headed a critic of the Government policy of currency demands consideration and is entitled to respect. But while this is the complaint of those who lay the principal cause of the depression of the tea and cotton industry principally at the door of recent currency legislation, I am not unaware of the arguments on the other side, namely, by those who refuse to accept that proposition. It is urged that much of the depression, of which both tea-planters and cotton manufacturers complain, has its origin in over-production and other causes. As far as the former are concerned, a statement prepared by Mr. George Seton, touching forty-five tea companies and their price has been published to demonstrate what little foundation there is for attributing the depression in the trade to the artificial rupee. To me it seems that both causes have combined to bring it about. I cannot bring myself to the belief that the altered currency has rendered no injury whatever. The injury has been done though possibly not to the exaggerated extent alleged by the complainants. In the case of the Bombay cotton mills, it may be worth while inquiring, how much of the depression is owing to over-production, how much to improvident management, how much to heavy interest on a debt beyond

the original capital outlay and how much to short time consequent on plague and famine. A careful survey of the earnings of Bombay cotton industry will show that the average profits do not go beyond 5 per cent. and a greater portion of the earnings of weaving mills is swept away by the excise duty brought into force by the currency nostrum. In the case of the planters, too, it may be enquired how much may be due to the currency nostrum, how much to the condition of the tea soils themselves, as Mr. Horace Mann observes, and how much to over-production. It will be thus seen, that the subject is an arguable one from both sides. That the producers and manufacturers have been hit cannot be gainsaid. The former, the bulk of whom are our impoverished agriculturists, are now paying a larger amount to the State treasury by way of their land-revenue in the shape of indirect taxation. For every rupee now paid into the Treasury by the ryot represents at least 30 per cent. more of the produce of his land. All other taxes are similarly raised; so, too, all debts. Practically there is a sweeping transfer of property from the working millions who create the wealth and make the prosperity of the empire to the tax-eaters. But, on the other hand, it is observed that the producer in turn is benefited in his purchasing power by the same enhanced rupee. The question is where lies the greater advantage —on the side of the State or the producer? Again, what about the silver ornaments of the masses? What are their losses to-day when silver is sold for Rs. 67 instead of 100 rupees per 100 tolas? These are questions which have to be duly weighed. As I have just remarked, the matter is perfectly arguable and could be well threshed out by a Committee of really competent and disinterested experts. Meanwhile, it may be noted that the coinage of

over 14 crores of new rupees last year for British India has completely exploded the fallacy of a former Finance Minister as to the "redundancy" of that coin. The stringency of the monetary market, from the date of the closure of the Mints till late, clearly demonstrated, apart from the factor of famine expenditure, that the redundancy argument was a romance of our currency doctrinaires. The rupee is indispensable to millions of the population, and it is impossible that it can be driven out from the ordinary transactions of business-people and the domestic economy of the masses, and so long as the huge amount of the coin in circulation remains unabsorbed by our new-fangled currency, the policy of the Government can hardly be pronounced a success. With an increasing population, an increasing number of rupees will have still to be added to the existing circulation. What has happened in the case of Germany as regards *thalers*, after the demonetisation of silver in 1873, is actually happening in India with regard to rupees. For fully twenty-six years the German Government did its level best by all kinds of makeshifts to drive away the *thalers* from circulation and substitute gold, but was repeatedly foiled. At last that Government has had to increase rather than diminish the coinage of *thalers*, owing principally to the fact that people could not do without them and the demand per head of the population had greatly increased. Whether the demand in future in India will be larger per head may be questioned. It depends on the greater material prosperity of the people. But the growth of the population itself must oblige the Indian Government to coin at the very least at the rate of 4 crores per annum. Had they continued to coin at that rate during the last seven years, there should have been an additional circulation of 28 to 30 crores

But the panic-stricken shortsightedness, which closed the Mints, could not see its way to this coinage. Meanwhile, stringency during the busy season became chronic, till the different Chambers of Commerce eventually compelled the Government to coin afresh. The fact conclusively demonstrated the fallacy of redundancy, and established the necessity of an annual coinage in proportion to the popular demand. We have already about 17 crores of additional circulation which has had the effect of allaying the stringency. But these facts inform us how far the State is behind in matters of finance and currency, and how its ignorance and stubbornness entail incalculable injury on all classes of the community, save the tax-eaters.

MILITARY EXPENDITURE.

Reverting to finances again, it is a matter of regret that Military expenditure, against which the Congress, from the very date of its inception, has vigorously entered its protest, and against which your representatives as the Chairman of the British Committee made a strong fight before the Royal Commission on Indian Expenditure, has undergone no diminution. I pointed out in my evidence before that body that but for the increased Military expenditure which has steadily grown since the seizure of Upper Burmah and the Penjdeh scare, there might have arisen no necessity for additional taxation; and that the pretext of low exchange was utterly unfounded. The increased burden of exchange by reason of the fall in the value of silver, at which the Government was needlessly alarmed, could have been easily borne without a pie of additional taxation. The expenditure of 25 crores per annum against the former one of 16 has only been made practicable by this taxation. The question is whether

there is any necessity for the large increase in the Army which has been witnessed since 1886. The Government of India itself has been of opinion that it is not, and that India is made to maintain so large an Army for British Imperial interests. In the latest Despatch which was submitted by that authority itself to the Royal Commission, it is observed :—

(Para. 21 of Government of India Despatch of 25 March 1890, Appendix 45, Vol. II, Report of the Royal Commission on Indian Expenditure.) :—Millions of money have been spent on increasing the Army in India, on armaments and fortifications, to provide for the security of India, not against domestic enemies or to prevent the incursions of the warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all these great and costly measures reaches far beyond Indian limits and the policy which dictates them is an Imperial policy. We claim, therefore, that in the maintenance of the British forces in this country a just and even liberal view should be taken of the charges which should legitimately be made against Indian revenue. The people of India, who have no voice in the matter, should not be able to complain that an excessive Military tribute is demanded from the revenue of this country, while on her side, England, with whom rests the final decision, should be able to show that this settlement has been effected in a spirit of justice and consideration.

RECOMMENDATIONS OF THE MINORITY OF THE ROYAL COMMISSION ON INDIAN EXPENDITURE.

It is clear from the above extract that it is owing to the maintenance of British supremacy in the East that this Army is maintained. Equity, therefore, demands that the British Treasury should bear all the expenses. What we have to incessantly urge on the Government and Parliament is the injustice of making India pay the piper while the British nation calls for the tune. No doubt some relief has been given to Indian finances by carrying out the recommendations of the majority of the Royal Commission in reference to capitation grants. But we should never lose sight of the fact that the majority's

recommendations under this head are of a flea-bite character and that they have ignored the larger question of the equitable apportionment of all Military charges. We have to look, therefore, to the recommendations of the minority, who have made their report from the Indian point of view. The principle propounded is a very reasonable one and ought to commend itself to those who are anxious to see that there should be absolute financial equity in the matter of all England's relations with India. Since British Imperial requirements and British supervision are urged as absolutely essential, it is but fair that Great Britain should share equally with India all expenses of British agency, Civil and Military. As the minority report recommends: "The cost of all European agency, wherever employed, might be divided half-and-half between India and the Imperial Exchequer." The British taxpayer would thus, equally with the Indian taxpayer, become interested in checking the excessive employment of costly imported agency and a useful spirit of inquiry would be aroused with reference to efficiency and economy of the Indian administration. The salary of the Secretary of State himself would thus come under purview, which would at least have this effect; that all inflated optimism, which is often aired at Budget debates and elsewhere in matters of Indian finance, would find no place in that functionary's recitation. On such a broad and equitable principle it is practicable, without even withdrawing a single European soldier, who, it is alleged, is needed for Imperial purposes in which England alone is interested, to agree to the recommendation of the minority that,

the revenues of India should be relieved of their entire charges, and that they should be treated as part of the reserve

forces of the Eastern portion of the British Empire generally, and borne in future upon the Army Estimates in that capacity.

It should be remembered that since 1885-86, the Military expenditure has shown a growth of nearly 33 per cent. In other words, it may be said that the Army expenditure absorbs the whole land-revenue of the Empire. It is the principal obstacle in the way of all other domestic reforms of vital importance to the welfare of the masses. The separation of Judicial from Executive functions hangs fire, though Mr. Stephen Jacob observed that the increased expenditure on this account will only cost half-a crore per annum. Similarly with the crying reform in the administration of the Police, on which there is a universality of opinion. Again, there is the necessity of a liberal expenditure on education, on which the different Provincial Governments spend just one crore of rupees, which, to say the least, is miserable compared with the immense sums spent in Europe and America. To us all it is a matter of profound regret that the State expenditure on education is hardly commensurate with the reputation of the British for enlightened liberality.

ECONOMY IN PUBLIC EXPENDITURE.

But, gentlemen, it is not necessary for me to say that expenditure depends on policy, and so long as the policy in this country is erroneous and calculated to promote Indian interests only in a secondary degree, it is not expected that we could have a chance of reduction in the expenditure. Economy and efficiency are nowhere, though we, no doubt, hear of the Government constantly saying that economy is practised to a remarkable degree. It has to be remembered that this assertion emanates from the tax-eaters, who are aliens and masters of the situation.

Indians have no voice in the expenditure and taxation

of the country. Otherwise they may show how, with a minimum of taxation, the maximum of economy and efficiency may be established. But there is the overweening conceit of the governing classes that we are an inferior race and hardly capable of carrying on the government, much less of steering State finance. Monopolists as they are, it is natural that they should view all Indian matters from their own selfish point of view. Hence they think that all monopoly of State wisdom and State finance is concentrated in them alone; and that we are no better than mere hewers of wood and drawers of water. In this connection, however, it may be most instructive at this juncture to quote from that famous letter which Turgot addressed to Louis XVI on 24th August 1774:

The question, Sire, will be asked incredulously 'on what can we retrench?' and each one speaking for his own department will maintain that nearly every particular item of expense is indispensable. They will be able to allege very good reasons, but these must all yield to the absolute necessity of economy . . . . Your Majesty is aware that one of the greatest obstacles to economy is the multitude of demands by which you are constantly besieged. It is necessary, Sire, to consider whence comes to you this money which you are able to distribute among your courtiers, and to compare the misery of those from whom it has to be extracted (sometimes by the most rigorous methods) with the situation of the class of persons who push their claims on your liberality. . . . It may reasonably be hoped, by the improvement of cultivation, by the suppression of abuses in the collection of the taxes, and by their more equitable assessment, that a substantial relief of the people can be attained without diminishing greatly the public revenue: but without economy being the first step all reforms are impossible. So long as finance shall be continually subject to the old expedients in order to provide for State Services, your Majesty will always be dependent upon financiers, and they will ever be the *masters*, and by the manœuvres belonging to their office they will frustrate the most important operations. . . . When you have recognised the justice and necessity of these principles, I implore you to maintain with firmness their execution, without allowing yourself to be dismayed by the clamours which are absolutely certain to arise on such matters whatever system we adopt, whatever line of conduct we pursue.

It is to be hoped that those in the highest authority will bear constantly in mind these wise sayings of Turgot, between every line of which much has to be significantly read. Indian finance would then certainly undergo a vast change for the better. At present, it is neither here nor there. We are not even fortunate in having trained financiers with true grasp of the first principles of public finance at the head of our finances. But it would be well if those in power and responsibility not only bore in mind Turgot's memorable counsel to his King, but the sage declaration of the far-sighted and practical Sir Robert Peel on the same question. Speaking of Indian finance, he observed that it is "a superficial view of the relations of England with India," that there is no direct immediate connection between the finances of India and those of England.

"Depend upon it," observed that thoughtful Chancellor of of the Exchequer, "if the credit of India should become disordered, if some great exertion should become necessary, then the credit of England must be brought forwards to its support, and the collateral and the indirect effect of disorders in Indian finances would be felt extensively in this country."

I presume that not until such a financial catastrophe occurs that the responsible authorities in England and India will ever learn to practise economy in State expenditure.

INDUSTRIAL DEVELOPMENT.

This address would be incomplete without mention of another cognate topic, namely, the industrial development of the country. The subject is vast and demands not only a paper but a ponderous value by itself. I can even hardly touch the fringe of this great problem, on the solution of which many a person and Government itself have been intent for some time past. How to revive old

industries, already extinct or on the verge of extinction and to foster new ones—these are the two questions. The revival of the former may be most problematical for the simple reason that steam and electricity have entirely revolutionised arts and industries of the old-fashioned type, which almost wholly depended on manual labour. The arts and industries of India, which flourished and prospered so well prior to the period which wrought the industrial evolution of Europe, and especially of the United Kingdom, where all attended to by manual labour, especially the finer class of cotton fabrics. So long as this country was on a par with Europe previous to the age of steam and mechanical science, it was no doubt able to hold its own. But it so happened that with the introduction of those two elements in the economy of the older Continent of the West, there was simultaneously wrought a change in India's political destinies. There was a change of rulers, who first came as traders, but stayed to remain as masters. The instinct of the shopkeeper was, of course, predominant; so, too, was that of self-interest, which, as moral philosophers say, is the motive of all action in the domestic economy of human affairs. Those instincts had a powerful influence on the industrial situation as it existed, say a century ago. With the aid of steam they were able to manufacture and import goods slowly, of course, at first, which could be undersold in competition with the hand-work of the Indian skilled artisan. Self-interest and supreme power combined, however, to accelerate the process, which ultimately had the economic effect of diminishing to a vast extent the indigenous manufactures. The early traders, who were also politicians and masters of the situation, killed the industries by means of tariffs at both extremes. Heavy import duties were levied in the United Kingdom, thanks

to the influence of the East India Company with the British Government of the day, on many a goods and manufacture of India. There is ample evidence of the fact in the numerous petitions which Indians and non-official Englishmen, who were allowed to trade in the country, presented from time to time to Parliament and the King. These may be read in the voluminous reports of the several East India Parliamentary Committees which sat between 1813 and 1853. On the other hand, comparatively light duty was imposed on cotton manufactures and other articles imported into India. Thus, it was that year after year, as steam helped new inventions, and successfully applied science to practical use, Indian manual industries, which once flourished and brought home profits from foreign parts, languished till at last most of them became extinct. This is the net economic result to India of a century of the progress of Science in the West. Whether India would have worked out its own industrial salvation in obedience to science, had it been left to be governed by its own native rulers, is a speculation on which it is not necessary to enter. Suffice to say that those who could not prosper by their handicraft, were necessarily driven to agriculture. Railways partially drove many more, who plied their trade as carriers, to the same industry. Thus it is that India is now almost an agricultural country. The hand of the dial was set back for a century. But a century of British Rule and a century of Practical Science have wrought new ideals, one of which is the industrial regeneration of the country, without which it is impossible that wealth may be stimulated in a greater degree. It is universally admitted that if the disheartening phenomena now to be seen are at all to undergo a change for the better, if, in short, if prosperity is to be

induced among the vast masses of the population, the only solution is the development of industries and manufactures.

How is that object to be achieved ? The more we think on the subject, the more we are driven to the conclusion that capital is the first essential. And where may capital be ? Imagine, gentlemen, for a moment the following situation. Suppose that the English withdraw from the country bag and baggage, that is to say, that they withdraw all their capital and retire. What may be the condition of the trade and the people ? And what may be the amount of capital left in the country ? If, as I have already stated, there have been in operation for years past economic laws which are opposed to Nature, the net effects of which is the drain of the surplus national wealth, which ought to be laid out for greater progress in this country in industries and manufactures, to foreign parts, without any hope of return, is it possible that under the hypothetical event I have asked you to consider, there could be anything left by way of capital to work out our industrial regeneration ? Thus what India is suffering from is want of capital, which at present is nowhere. What little there is, is undoubtedly of much use and is greatly prized. We feel all the better for it. Otherwise it is certain that the country would have been in a worse plight. As a proof of the extreme paucity of capital, you have only to refer to the "Financial and Commercial Statistics of British India" and the combined amount invested in cotton and jute mills and other industrial concerns, including tea-plantations and coal mines. Deduct thereform the sum of foreign capital and compare the residue with the capital of the rest of the commercial countries of the world. You will then have some definite

notion of the immeasurable depth of India's poverty. And since economists tell us that industry is limited by capital, I have to ask you further whether any very serious hopes can be entertained of industrial regeneration, as you all earnestly wish, so long as this is the condition of affairs, want of adequate capital? It has of late been pointed out how Japan fares and how the Japanese have displayed remarkable industrial development. True. None can gainsay the fact. But it should be remembered that both China and Japan are independent nations, and that there is not that exhausting process going on in those two countries, of the annual abstraction of the national surplus of wealth to the extent of 30 to 40 crores as has been the fact in India for half a century and over. You may send the most intellectual and practical of your countrymen to instruct themselves in the mechanical arts, industries and manufactures of Europe, America and Japan; but of what avail will their knowledge and experience be if, on their arrival, private capital and private enterprise be not forthcoming or will not help them? As a matter of fact, I am one of those who think that the chill penury of the land has to a certain extent repressed even the mental faculty, though, no doubt, we have occasionally such trained men as Mr. Bose and others. It freezes the currents which ought to flow. The mournful truth must be acknowledged that slow rises the country which is depressed by poverty which has for its root political causes.

But having said so much, we should not despair. Be the causes of India's economic condition what they may we are bound to put our shoulders to the wheel. It would not do to cry over the past. It is more manful to tuck up our sleeves, gird up our loins and work like heroes to regenerate our country by arts and industries, and raise it

once more to a zenith of prosperity. There are undoubtedly formidable lions in our path, the foreign exploiters and the monopolists in place and power: but we need not be deterred by them. We cannot allow ourselves to lie in the Slough of Despondency or take up a permanent residence in the Castle of Giant Despair. We have under existing conditions a double duty to discharge. Firstly, by our legitimate and reasonable agitation of a persistent character, to alter the economic policy of the Government, which has proved so fatal to our prosperity hitherto, and, secondly, to work out by all means in our power, to the last atom of our physical and mental energy, our own economic salvation. Increased means and increased leisure are the two prime levers necessary to achieve the object. But it is essential at first to have distinct and clear ideas on the subject. A variety of loose talk has been going forward for some time past, and technical education is suggested or recommended as a panacea for industrial revival. But it is disappointing to get no satisfactory answer from those who talk of that education when we ask them to practically propound what they mean. For instance, when we ask them how even six per cent. of the agricultural population, say a crore, may be diverted to industrial occupation there is no rational reply. Hence I entreat you all, gentlemen, not to be carried away by the parrot cry of the reformer, be he Parliamentary or any other, who talks superficially of technical education without pointing out the practical means whereby even six per cent. of the masses can be weaned from agricultural pursuits. The question of technical education so glibly talked now is nothing new. It was originally mooted some twenty years since, and one of the very first to draw up an elaborate and prac-

tical paper was Mr. Dadabhoy Naoroji himself. It was as early as 1885 that he wrote that paper and submitted it to Lord Reay. The late Mr. Justice Telang had also said a great deal on the subject. But, gentlemen, do not be carried away by the catch phrase. Technical education, which shall result in large and profitable industrial development, signifies higher education, specially of Sciences. What has made Germany, which was poor a quarter of a century ago, so advanced, above all other countries on the Continent and brought it in the front rank of industrial and manufacturing nations? Why is it now surpassing England? The answer is, that Germany has paid the greatest attention to the mechanical sciences. The country is a network of laboratories. Are you prepared to have Technical schools of the highest grade as they have in Germany? Why those who talk tall about technical education are the very persons who decry higher education! It is idle to talk of mere small industries in carpentry and brick-making and so forth. If there is to be an industrial revival of a practical character which shall change the entire surface of this country, you will have first to lay the foundation of teaching in the Applied Sciences. You cannot have the cart before the horse. Higher education must precede industrial development. But let alone higher education. Where is even mass education in the humbler sort of industries? When not even five per cent. of the population is literate, do you expect that there can be any industrial development without education, even assuming that capital be forthcoming? The subject is not so simple as is light-heartedly imagined. It is most difficult, and the best way of apprehending the difficulties is to ascertain the views of those who are most capable of advising on it. Many a vague idea is now

floating in the air which requires to be definitely formulated, and many crude and ill-digested recommendations need to be put into the crucible of the practical, with a view to bring, thoroughly tested before we can all agree, upon a common basis on which a fair attempt at industrial development might be made. Let me request you also to remember the sage counsel of Mr. Morley :

> That the interest of human progress is bound up with man's willingness to strive after ideals which seem to be attainable. The mere fact of striving exalts the character, disciplines and develops the faculties, and by gradual and almost imperceptible degrees approaches always more nearly to the goal.

First and foremost, then, let us be so far prepared by a close study and consideration of the question as to be able to equip themselves with the ideals we wish for. That is the fundamental essential.

CONCLUDING REMARKS.

And now, gentlemen, I must bring this address, already lengthened out beyond what I wished and expected, to a close. You will pardon me if I have taxed your patience overmuch, and you will pardon me still more if I have left out of my purview many other important topics on which the Congress has been incessantly attracting the attention of the Ruler, such as the separation of Judicial from Executive functions, the reform of the Police, of Excise and Forest laws, the question of Juries, the further modification of the constitution of our Legislative Councils, which are still a solemn mockery, higher education, provincial finance and other equally important matters. But with a Session limited to three days and with the orthodox hour-and-a-half for a Presidential Address, it is not practical to do justice even to a tithe of the topics enumerated in the way they ought to be, despite all efforts at condensation. But I trust I have this time

endeavoured, in pursuance of the general voice of our enlightened countrymen, to rivet your attention on such topics alone as are of absorbing interest at present. They are topics on which the attention of the Government is greatly concentrated. And if any Viceroy could listen to our prayers on these special subjects with the respect and attention that they deserve, I am sure you will agree with me that that Viceroy is Lord Curzon, whose zeal for the advancement of the general welfare of our people is beyond all praise and whose uniform sympathy and burning desire to hold the scales even and render us all that justice on more than one matter, which is our due and for which we have been knocking at the door of Government these many years, are unquestionable. May it be the good fortune of his Lordship to render this country lasting good before he lays down his exalted office, and earn the gratitude of its people. The course of a wise and just Government in this matter is straight, be the opposition what it may. The Government has neither to look to the right nor to the left. It has one goal straight before it to reach. It has to discharge its duty by the people, how to promote their contentment and prosperity. I would repeat here what I stated in my Presidential Address at the Belgaum Provincial Conference. It is needful, nay imperative, in order to stimulate the Government to action, to have the motive power of well-informed and disinterested public opinion. This can only be created by arousing the British people, through the influence and instrumentality of Englishmen, sympathising with our aspiration as the British Congress Committee has been strenuously doing these few years with an energy, capacity, and self-sacrifice which are beyond all praise. It is needful to strengthen the hands of that Committee, extend its

operations and enlarge the scope of its undoubted utility in this direction. For such a purpose heavy sacrifices will have to be made. For, it would be absurd to attempt to achieve such an object without any sacrifice at all. Hence I repeat, we shall never be able to bring the reforms we ask for within the range of practical politics till the English are sufficiently and correctly educated as regards our demands. We are at present in a transition state. We are passing from the old order of things to the new. But the process of transition, as history teaches us, is invariably beset with obstacles. Thus it is that the broad and liberal statesmanship, which characterised British Rule in India till late, has been somewhat arrested. "Insane Imperialism," to use Mr. Morley's phrase, with its mischievous policy of retrogression and repression, is in the ascendant for the moment. But this policy of political insanity, I am firmly of conviction, must sooner or later give way to the former policy of sound liberalism, modified in conformity with the march of time and the irresistible logic of events. The policy should be constructive, having for its foundation the material and moral improvement of the masses. All else is doomed to failure. Indians have never been slow to recognise the benefits of British Rule. But it would be unreasonable to ask them to sing eternally its praises and transform themselves into its unqualified panegyrists. No doubt we have a good Government, but it is not unmixed with many an evil. The desire is that the evil may be purged away, and that, in the course of time, we may have a better Government. So far we are not asking for the impossible. The impossible will be asked only, when as Mr. Lowell says, the reasonable and the practicable is denied. For, it is only when the possible is made difficult that people fancy the

impossible to be easy. I repeat, gentlemen, that the liberal statesmanship of the Nineteenth Century has infused a new life into us. It has made the national pulse to throb quicker. It has raised aspirations which can never be allayed till they are reasonably satisfied. I have enough faith in the virtue of time and in the stern sense of British justice. Patiently we should await for the fruition of those efforts which the national party all over the country have been putting forth these many years. Time, as the poet says, is the artificer of all nations. It is only when our demands are fairly fulfilled that the existing dissatisfaction generally prevailing will cease. Then alone will contentment on the foundation of which alone rests the permanence of British Rule prevail. There is a Providence watching the destinies of this hapless and helpless country. May that Providence inspire its rulers with wisdom, justice and sympathy to add another but brighter and purer page to the history of India. In the burning words of the eloquent Macaulay, let it record in the maturity of time that the British found a nation sunk in the lowest depths of degradation, ignorance and superstition, and raised it to the highest pinnacle of freedom and civilisation which it was in their power to confer. (*Prolonged cheers.*)

EVOLUTION OF INDIAN TRADE.

[*The following is the full text of a lecture delivered at the Bombay College of Commerce on 27th January, 1915.*]

It is needless for me to state at the outset that I stand before you this afternoon in response to the earnest request made to me by Mr. Anstey, the enthusiastic Principal of the College of Commerce. He called on me some time ago, in my capacity as one of the members of the Advisory Committee of the College, to say that it would be well for this Institution, which is the first of its kind in all India, were it made widely known and popularised by a series of lectures. It is highly encouraging to the Advisory Committee and the College Authorities to see such a large audience taking a keen and lively interest in this lecture. I may also further say by way of preliminary remark that I do not claim any originality for my lecture. I am only giving you the result of my sustained studies in the Science of Commerce and of business experience extending over a period of half a century. I feel disappointed that till now there have not been forthcoming a large number of men, engaged in the commerce and industry of this country, to give to the public the benefit of their own studies in what Professor Ashley calls "Business Economics," though I am quite confident that there are to be found in each Province of the Empire a fair number of persons conversant with such study and of experience in

diverse directions. There are those who could give us an interesting and instructive account of the trend of our foreign and inland trade for at least a century past, of the commercial geography of this country, of a history of navigation and freights, of the immeasurable utility of railways and other systems of transport and communication, of marine and fire insurance, of inland and foreign exchanges, of mercantile legislation, of banking and currency, of commercial credit and co-operation and finally, of the duties of a civilised state in its relation to trade, manufactures and industries.

I will now proceed with the subject matter of my address, namely, the Evolution of Indian Trade, an evolution which dates not from to-day or yesterday but from times immemorial which we call prehistoric. Having regard to the geographical position of the Peninsula which is washed on its west by the Arabian Sea, on the south by the Indian Ocean and on its east by the Bay of Bengal and which has innumerable ports for purposes of trade along the whole of the Malabar and Coromandel Coasts, it is perfectly intelligible that a country so situated must have naturally carried on a maritime trade in years gone by which are wrapt in the mist of history. But it is not for me, standing here, to elaborate that hypothesis with facts and arguments which properly belong to the domain of those who exclusively carry on researches in that direction. Leaving then alone prehistoric times which I am quite sure future archaeology and other researches will clearly reveal to our immediate posterity, we may at once plunge into *media res* and take our stand on later records which are authentic. To give one quotation only from that excellent and well-digested "History of Commerce" by Mr. Clive Day, Professor of

Economic History in Yale University, published just seven years ago. Says Mr. Day:—"The origins of Commerce are lost in obscurity. Before people are sufficiently civilised to have written records of their doings they engage in trade; we can observe this among savage tribes at the present day, and we know that it held true of the past from finding among the traces of primitive man, ornaments and weapons far from the places where they were made." In point of historic time the Egyptians, though mostly an agricultural race, were the first in civilisation as much as the Indians, and there are ample records to corroborate the correctness of the fact. Again, in that highly interesting and instructive "History of Indian Shipping and Maritime Activity from the Earliest Times," its author, no other than the learned and most assiduous scholar Mr. Radhakumud Mookerji, Professor of Indian History in the National Council of Education in Bengal, writes as late as 1912 as follows:—"I have already said that though ancient Indian literature furnishes rather meagre evidence directly bearing on Indian shipping and shipbuilding, it abounds with innumerable references to sea voyages and sea-borne trade and the constant use of the ocean as the great highway of international commerce, which therefore, serve as indirect evidence pointing to the existence and development of a national shipping, feeding and supporting a national commerce . . . . The oldest evidence on record is supplied by the *Rig Veda* which contains several references to sea voyages undertaken for commercial and other purposes." But I need not make further references to the most recent researches of scholars, archælogists and numismatists in the respect. It is sufficient for our pur-

pose if we go back to 1600 B. C. To quote once more from Mr. Day's book :—"With the period known as the New Empire (of Egypt), however, beginning about 1600 B. C. commerce at least became more important than it had been before. Regular communication was established with Asia and caravans brought to the country the products of Phœnicia, Syria, and the Red Sea districts." As far as India is concerned it is needful to remember that the trade was both by land and sea. Judging from what is going on even now in the land trade from China to Tibet and from Tibet to the Caspian Sea in the north-west and from Karachi to Baluchistan on to the coast of Persia, it is reasonable to infer that land trade must have existed at about 1600 B. C. Similarly, the maritime trade from Cambay and Broach as far as the Persian Gulf on the one side and from the Malabar Coast and Ceylon to Aden and Moha on the other side. Considered also in the light which modern researches have thrown on those historic Empires which flourished in Asia Minor, Mesopotamia, Syria, Persia and also Arabia, the inference is almost forced on us that the trade of India with the people of these Empires was international in the sense trade was understood in those days. It was in reality an exchange of Indian products with the great and renowned cities of ancient times situated in what we now geographically call Asiatic Turkey and Arabia. Of course, the contiguity of Persia to India and the interchange of both commerce and politics is well known. It is also recorded how India and China traded with each other by means of caravan routes 3,500 years ago.

It will thus be plain that Indian trade was co-eval with Indian civilization. Civilization sprang from the

East, just as light springs from the East at sunrise. It is the outstanding feature of the East that civilization was there long before Western civilization saw the light. Similarly with that civilization all the great religions of the world must be unhesitatingly asserted to have their origin in the East, be it Hinduism or Zoroastrianism, Buddhism, or Confucianism, Christianity or Mahomedanism. And just as in modern days we find that as civilization progresses, art, commerce and industry progress so it was the case with Indian trade in those times.

Coming now to the subject proper, it may be observed that the evolution of Indian trade is best understood by marking the important epochs through which it has passed. Beginning with B. C. 1000 we may mark the progress, slow but sure, till we come to the reign of Darius Hystaspes in the Fifth Century B. C. when that monarch extended the bounds of his empire eastward as far as the Punjab and probably to the Ganges, if we bear in mind the most recent excavations at Pataliputra, where, according to the Imperial Archæologists, the remains of a large hall have been discovered which have a great resemblance architecturally to the palace of Persepolis. Be that as it may, there can be no question that Darius was master of the Punjab at the close of the Fifth Century B. C. and that he used to receive a tribute from the Indian King of many millions in silver and gold and in some of the finest products of the Indian loom besides a variety of other commodities including sandalwood from Malabar which was essential for the worship of fire as an emblem of the great lord Ahuramazd. The third epoch began when Alexander the Great became master of the selfsame Punjab and navigated the Indus as far as Taxilla. The old Baby-

lonian trade once more was revived and continued till the Asiatic Greek first and the Roman afterwards in the Second Century B. C. were keen on importing the rich spices, pearls and precious stones of India. The trade with Rome was at its zenith in the reign of Nero. Rich as the empire became under Augustus and his successors by its conquests of Asia Minor and Persia and Arabia Felix, there was no limit to the costly luxuries in which the patrician class, male and female, indulged by the enormous purchases of cinnamon and other well-known Indian commodities, including silks and indigenous calicoes. Trade thereafter declined. The most prolific source of information regarding Indian trade and trade routes during this flourishing period of the early Roman Empire was that universally renowned work which is known as the "Periplus of the Erythraean Sea" written by an anonymous Greek merchant. The book has been translated into English and copiously annotated by Mr. Wilfred H. Schoff, Secretary of the Commercial Museum, Philadelphia. It was published for the first time in the year 1912. It is a mine of information and gives us the best idea of the condition of the international trade, between the great Empires of Rome, Parthia, India and China, apart from what has been related by Greek and Roman travellers from Herodotus to Strabo and Pliny. The fifth epoch may be said to be co-eval with the rise of the Byzantine Empire till the conquest of Southern Europe by the Moors and Saracens. The sixth may be placed with the era of the Crusades till the middle ages. In this period the name of Marco Polo the great Italian traveller may be most familiar to students of Indian History. The seventh may be fairly said to have commenced with the discovery of the West

and the East Indies at the close of the fifteenth century A. D. It marks the first beginning of the important advent of the European from the West of Europe. The Elizabethan age brought on the scene the merchants of England trading to the East which marks the eighth period of Indian commercial evolution. India was made familiar by Drake who had voyaged round the world. From that time till 1833 when the East India Company ceased to be the monopolists of Indian trade may be deemed the ninth stage of the evolution. And the last or tenth epoch may be said to have commenced with 1858 when the territorial sovereignty of that great historical Company passed away and India became a direct dependency of the English Crown.

Having now marked out the different periods through which Indian trade had passed from the times most ancient up to the date of the Queen's Proclamation in 1858, I need not dilate upon the science of commerce itself. There are plenty of text books of commerce, and I am quite sure the Principal of this College will by and bye teach the students who join in the theoretical as well as the practical part of commerce. Neither am I going to weary you with masses of commercial statistics, although they are a very important element in understanding the evolution of Indian commerce. As far as I can I will give a cursory view of the whole Indian trade from 3000 B. C. up to date. It is a long vista, and I consider that he who would write a comprehensive and elaborate book on Indian trade and its evolution would have to spend a life-time on the task. I feel that, and I regret that I did not take to this study a little earlier. I wish I could live my life over again in order to do so, but that is not possible. Human life is short

and I am in the autumn of my days, but here I see before me the rising generation, particularly that portion of it which is going to educate itself under the ægis of this College, and I sincerely trust that some of these scholars will find both fortune and leisure in pursuing this study. It is a most instructive and fascinating study. Superficially you might say: "We know all about Indian trade. We know that piece-goods come from the United Kingdom, sugar from Java and Mauritius, motor-cars from Paris and London; and we know what we export." Not so. When you begin to dive deep into statistics of Indian commerce you will find what a fascinating subject it is, particularly if you go back to most ancient times and to the trade with ancient countries like Assyria, Babylonia and so on. Historians have said they do not know anything about the course of Indian trade in pre-historic times. Leaving pre-historic times, we find that as far back as 3000 B. C. there are coins, monumental tablets, papyrus, and many other instruments of writing which tell us that Indian trade was going on then. Then there are vast tracts of years till we come to 1500 B. C. when we find that trade expanded because civilisation had advanced. And as civilisation advanced all sorts of commodities and particularly commodities of luxuries, were required, and it has happened that India has been one of those countries which has supplied those luxuries particularly to Western Asia and Rome.

Arabia may be said to have first come in contact with Indian traders. The ancient Arabians were a hardy race of traders, as hardy as the Phœnicians further north. Arabia was the nearest country to India and parallel to it was Africa. Between these countries

was the Red Sea, and this Red Sea is really an historical sea. From times immemorial all trade that has gravitated from China westwards as far as Egypt and Rome has gone through the Red Sea. The straits of Bab-el-Mandeb was the rendezvous of the Arabians, because that was a convenient entrepôt at the mouth of the Red Sea for Indian goods which came from the Gulf of Cambay and from Broach. Broach, or Baryagaza as the ancient Greeks called it, is a very ancient Indian town and if Aden and the Straits of Bab-el-Mandeb were the entrepôt for Arabia and places west of the Red Sea, Broach and the Gulf of Cambay were the entrepôt for all trade on this side of India. The Red Sea is, therefore, an historical sea where all the traders from different parts assembled to exchange their products. Arabia exchanged frankincense and myrrh and other products for which that country is famous, while India gave spices, camphor, cinnamon, cloth, cotton, gold, calico and soft muslins from distant Dacca, muslins for which that town is still famous. As regards gold it has not been accurately known that there were any rich mines which had been briskly worked, though it stands to reason that Mysore was no doubt the place where primitive gold mining had been evidenced for a long period during the earlier stages. But most of the gold was no doubt acquired by India from the gold-diggers of the desert of Gobi and the mountains of Tibet. In his learned book already referred to Mr. Mukerji states. "Herodotus relates 'the famous and widespread fable of the gold-digging ants' which has been shown by Sir Henry Robinson and Dr. Sebiern to have originated in the peculiar customs of the Tibetan gold-miners and the name 'gold ant' was possibly just given to the frag-

ments of gold dust brought from Tibet on account of their shape and size" and as to the tribute of gold which Darius is recorded to have exacted from the Sovereign of the Punjab, Mr. Mukerji further writes as follows:— "In the enumeration of the nations and tribes which paid tribute to the Persian Monarch Darius, the Indians alone, we are told, paid in gold, all the others paying in silver. The amount of this gold was 360 Euboic talents, equivalent to £ 1,290,000." The gold from Tibet was brought down to Peshawar and thence to Karachi and Broach. From Broach it was said to have been sent to Egypt and Assyria, for the ornamentation of the Temple of Solomon and other temples, and for the use of Assyrian and Babylonian Kings. It may, however, be mentioned at this stage that considerable controversy has gone on for years in reference to the gold from India. The allusion in the Bible to the gold from Ophir for the great temple of Solomon has been variously interpreted. Some years ago Ophir was identified with the present town of Sopara in Gujarat. But the philological argument was not convincing. Rather the explanation which Sir George Birdwood, than whom there is not a more learned interpreter of ancient Indian history and literature, gave is more rational and nearer the truth that Ophir is merely a corruption of 'Afur', the ancient name of Africa. Having regard to the fact that ample evidence has been found of the Transvaal gold mines having been worked in days gone by and also to the other fact that maritime traders of Egypt and Phœnicia voyaged far south down from Cape Guardafui to the furthest extremity of South Africa, it is quite probable that gold was obtained for Solomon's Temple from "Afur" or Africa rather than from India.

Such then is the history of the trade of ancient India and such were the different products India exchanged with the peoples of the West at the entrance of the Red Sea. I must not forget to tell you at this stage that though the Suez Canal has been a living reality for the last forty-five years, there was an earlier time when the Isthmus of Suez was cut. It was first cut by the Egyptian King, Sisostris in 2,000 B. C. and again by another Egyptian King in 1,500 B. C. Then came Darius Hystaspes who conquered Syria and went to fight Greece but was defeated at the battle of Marathon. He also is recorded to have cut the Isthmus for military and trading purposes. Then conqueror after conqueror invaded Asia Minor and the Isthmus silted up again and remained so until the genius of Ferdinand de Lesseps, the famous French Engineer, cut it for ever and a canal was built in 1869 that opened up the magnificent trade between the West and the East.

Let me now take you to Rome to the time of the Emperor Augustus. Few students of history are unaware that the time of Augustus was really the golden age of the Roman Empire. As Rome grew richer and richer, and particularly the patrician classes, they became so enamoured of Indian goods that they used to send every year through Egypt to the Red Sea ships to fetch Indian spices, drugs, feathers, ivory and gold. Cinnamon was a particular favourite, because of its peculiar fragrance, and it has been put upon record by the unknown author of "The Peryplus" that Nero, when his wife Poppaea died, burnt something like 100,000 lbs. worth of cinnamon at her funeral. Other spices such as ginger and pepper were in such demand in Rome that actually all these commodities sold at the

value of their weight in gold—that is to say that one tola of cinnamon or pepper would cost one tola of gold. Just imagine this price for pepper which you can buy to-day in the bazaar for one anna per seer of forty tolas. Indian muslins of which the Roman matrons were very fond, also fetched heavy prices, and it was the complaint of the Romans of that day, according to the historians, that India was draining Rome of her gold and silver, even as it is said to-day that India is a sink of silver and latterly of gold. Pliny said that in those far-off days the balance of trade between India and Rome came to £800,000, but other more reliable records put it down at £250,000, which no doubt had a larger purchasing power in those days than to-day. India also was the medium through which silks and other products of China found their way to the West. The trade was all done by caravans in those days, and there were more than one caravan route, from China to India and further westward as far as the Caspian Sea. That the routes still exist may be reasonably inferred from the great army which the famous Chinese General Tso Tsung led in the early eighties of the last century for the re-occupation of Kuldja which, owing to internal troubles in China, was for a time entrusted to the Russians. Tibet, and China sent their silks and other wares to Peshawar and then they were sent to the Gulf of Cambay and Broach, whence they were sent in the same sort of prows and other Indian craft that are used to-day, to Asia Minor. The mariners too were the same then as now who ply to-day between Karachi and Basra or Muskat. The *sarangs* of Kathiawar are well known to us as a most courageous, hardworking and patient class of sailors, and it is not difficult to imagine that their great forebears of

2,000 years ago and more ploughed the sea for purposes of commerce. Both these *sarangs* of Kathiawar and the Nakhodas of Arabian baglows, which still ply in the Arabian Sea and the Persian Gulf, were a race of born mariners. We all know, that the Arabs from times immemorial have been known as a maritime race and that they excel as the great highway pirates of the sea. Who is unaware of those dhows, the fast sailing vessels of their own country, which brought to Zanzibar hundreds of slaves every year for sale and of the fact that one of the principal functions of the old distinguished Indian Navy was to pursue these slave trading dhows, bring them to bay and emancipate the slaves. It is one of the most magnificent and benevolent service which the Indian Navy has rendered to the world under the ægis of the British Government and abolished the slave trade from the East African Coast and the Persian Gulf. We can well understand why these maritime Arabs were considered first class navigators in olden days and later on when they discovered the compass which has made navigation in all parts of the world so easy for the last 1,000 years.

As regards the land trade in ancient times the whole of it was carried on from the gates of the East to the gates of the West by caravans and the Assyrians and Babylonians in order to protect that trade and to give rest to the merchants and their beasts of burden had built large caravanseraies at different points along the long route. Some of these caravanseraies still exist and archæologists tell us what they were like from excavations made in Mesopotamia and elsewhere. In India, although railways are running now to and fro in all directions every day, these

trunk roads which the caravans traversed are still in existence and if perchance the railways were destroyed Indian trade would still be carried on along these trunk roads as it was in the olden times. I need not now dwell longer upon the ancient trade of India, in which I include that of Ceylon which island we all know is mentioned by the old historians under the name of Taprobane which is nothing but a corruption of the Sanskrit "Tamra pani" which means copper (coloured) water, a name given by Vijaya, who led the first Indian Colony into island and applied to the place where he first landed.

Reference has been made to Darius's connection with India and the exchange of valuable commodities during his temporary sovereignty in the Punjab. It is also related of his successor the great Xerxes who went with a large army to Greece to be defeated at Salamis that many of his soldiers were clad in Indian cotton cloths. That is another evidence of the continued exchange of Indian products between Persia and India. We also know the conquest of the country of the Indus by Alexander the Great and it is related that while going from North to South he had to build a large number of boats in order to bring a division of his army to the mouth of the Indus while the other division was marching parallel by land. The Mauryans were great builders of fleet. Shipbuilding greatly flourished and gave profitable employment to a part of the population. Ptolemy speaks of Alexander having constructed a fleet of 2,000 vessels on the shores of the Indus of entire Indian wood, while other chroniclers put it at 800. Thus it will be seen that during the days of Alexander and after, maritime activity was largely evidenced in the waters of the Indus and the Ganges going

as far as the Bay of Bengal for purposes of trade. But it is superfluous in a brief lecture to refer to any great details so far. I may refer to those who are greatly interested in Indian maritime trade 3000 years and more to the graphic description of the variety of ships of native craft given in the valuable work on that subject by Mr. Mookerji. You will learn therefrom how there are to be seen even to-day in the magnificent caves of Ajunta some beautiful paintings on the walls on which figures of Indian vessels of a variety of type are depicted which irresistibly point to the maritime activity of the Indian people from historic times.

Let us now turn to the connection of Rome with India. As far as Roman commerce is concerned students of commercial history need hardly be reminded that prior to B. C. 200 Rome was not regularly engaged in mercantile pursuits. No doubt Roman galleys navigated the Mediterranean and the Ægean seas for certain Asiatic products including those of Asia. Owing to the growth of the population in the Republic the scarcity of grain was now and again felt and Roman vessels went to Egyptian and some of the ports of Asia Minor to bring back a large quantity of cereals, but of Roman exports in merchandise there was very little. The Roman Republic was fast becoming mistress of the world and Rome itself was the centre of the world's politics of the time. Rome began to grow into an Imperial city after Carthage was destroyed and her attention, energy and resources were all directed toward building up her military greatness. And as it grew more and more into military importance both west and east, the first necessity of having long military roads both for purposes of offence and defence was greatly

felt. Roman public works by way of aqueducts also became a necessity and as the arms of Rome extended fight and left her power was greatly consolidated albeit there was much of internecine quarrels or civil wars. Still the consolidation brought with it what is known as Pax Romana. Thus it came to pass that military roads and other means of communication and transport were greatly contributory to the development of international commerce. Accordingly we find that when Augustus ascended the throne of his own Empire as consolidated by him Roman peace vastly enhanced Roman commerce.

Synchronising with the last two centuries of the Roman Republic we find that the great Mauryan Kingdom had been well founded and flourishing. In the days of Asoka India was brought into systematic connection with Syria, Egypt, Cyrene, Macedonia and Epyrus. We are all aware how the great Asoka embraced Buddhism, propagated it far and wide and erected monoliths in 20 and more localities in his Empire on which were inscribed his edicts. The spread of Buddhism east and west signified the dispatch of Buddhistic missionaries to convert diverse races to the creed of Gautama. If war leads to commerce it may also be said that during the Asokan period the propagation of a mild and beneficent religion also led to interchange of commodities between nations wide apart. Commerce led naturally to maritime activity. Fleets of boats to navigate the Indus and the Ganges were built and maintained and Asoka's maritime edicts are well known. There were the Andhras again reigning in the south same as the Mauryans in the north, say from 200 B. C. to 50 A. D. It is related that the Roman

influence in the age of the Kushans of the North was great. At the heel of Roman commerce came Roman arts to India. Asoka in consultation with Ptolemy Philadelphus founded Alexandria in order to make it a great emporium of Indo-Egyptian trade. Other overland routes of commerce were established about the same period between India and the West such as across Central Asia, along the Oxus to the Caspian and Black Seas or through Persia to Asia Minor or by way of Persian Gulf and the Euphrates through Damascus and Palmyra to the Levant. And here we may tarry to say a few words about the "Periplus of the Erythrœan Sea" to which I have referred in the earlier part of the lecture. This Periplus, as is too well-known, is in reality a short account written by an unkown merchant, said to be an Egyptian Greek, during the first 50 years after the birth of Christ. He sailed from Suez to the Red Sea, thence to the Persian Gulf, thence to Cambay and Broach and then far down to the South of the Malabar Coast. He gave a very faithful and graphic account of the principal ports where the products of India were exchanged. The centre of exchange was the Persian Gulf. It is stated in the Periplus that "the people of that region, the various Arab tribes and more especially the ancestors of the Phœnicians, those mysterious red men, were the active carriers or intermediaries. The growth of civilization in India created an active merchant marine trading to the Euphrates and Africa and eastward. The Arabs tolerated Indian traders, but reserved for themselves within the Red Sea that lucrative commerce which supplied precious stones, spices and incense to the ever-increasing service of God in Egypt. They jealously

guarded this trade. The muslins and spices of India they fetched themselves or received from the Indian traders in their ports on either side of the Gulf of Aden carrying them in turn on the highlands of the Upper Nile or through the Red Sea and across the Desert of Thebes or Memphis. . . . . Cloth, precious stones, timber and spices, particularly cinnamon brought from India, were re-distributed at Socotra and Guardafui on Indian vessels and carried to the Nile and the Mediterranean Sea." Hippalus, another merchant, who followed in the wake of the writer of the Periplus, verifies the routes and enlarges on what we now call the monsoon trade winds. He was a venturesome navigator and carefully marked the changes of the Indian monsoon. He returned to Egypt somewhere between 60 and 70 A. D. with gums, pearls, ebony and sandalwood, balms and spices, but especially pepper.

As Roman power weakened in the 2nd and 3rd centuries A. D. the trade with India also declined, and Constantinople became an entrepôt of Eastern Commerce, but we need not further pursue this epoch of Indian trade evolution. Sufficient has been said to give you an idea of the state of Indian Commerce in times long since gone by.

In 1,000 A. D. India's trade with Asia Minor was resuscitated. It was the Crusaders this time who found what a large trade India was doing, and they were particularly fond of ancient swords, made of iron ores and tempered by the most primitive methods in Kathiawar and Central India. A large number of them went to Damascus, which was a great centre for this particular trade. The Crusaders carried back the story of Indian

trade to the West, as far as England, and it so happened that by 1,200 A. D. there was another revival and this time the revival occurred in connection with the great Khalifs. The Mahomedans, as you know, immediately after the propagation of the Mahomedan religion, conquered Persia and Asia Minor, and with the Saracens marched from there and went to Spain, where old Saracenic names still exist. The Crusaders made the name of India famous in the West, and then came the days of the Moguls, who marched from Persia and came with their hordes to India. We all know Mahomed of Ghazni went to Kathiawar to carry away the wealth of his great magnificent temple of Somnath and his many subsequent raids in Gujerat. By the time Akbar was on the throne, a vast amount of trade had been established, such a trade, indeed, that it really excited the cupidity of European traders particularly the Portuguese and the Spaniards, who were in search of gold, silver, spices and other commodities. Portuguese traders, particularly Albuquerque and Vascode Gama, came to this side of India as far as Goa in the fifteenth century. Following the Portuguese came the Dutch, who went as far as Java, which had been colonised by Indians, hundreds of years before Christ. Then the Greeks went there.

Between the 12th and the 15th centuries, India became better known to the Europeans in the West, and it is even recorded that as far back as 800 A. D. a Bishop was sent by King Alfred to Madras to found a Roman Catholic Church. The Bishop went there and founded a church on the Mount at Madras. That shows that even in Alfred's time India was known in England. Marco Polo, the great Italian traveller, having learn t

much about India from the Crusaders, also travelled to India, and he has left us a long description of her trade in his time. French travellers also followed, so that by the 16th century India had become perfectly well-known to the West. Queen Elizabeth and James I had sent Embassies to the Court of the Great Moghul, but prior to that there had also been many Embassies, especially from the Romans.

There was a great rivalry in the fifteenth century between the Portuguese and the Dutch. The Portuguese established themselves at Goa, which they still hold, and the Dutch were eventually driven away. The wealth of the East Indies next attracted the attention of the English, and many ships came from England to India until in the 17th century, every ten years there used to be between 86 and 200 British ships trading to India. Many were lost, but many went back with gold and other things, and this is the way that English trade was established in India. It was the East India Company, however, that really brought England and India together in the 17th century. In 1765 when Clive came as Governor-General, there came to India a new epoch; an epoch partly of gratification and partly of great discontent. Clive reorganised the trade of the country. He found that the East India Company's clerks traded on their own account and were corrupt, and he reported to that effect to the Government. He made many other reports and reforms, both administrative and political, but the East India Company was a monopolist of the first water. When it became the practical owner of almost the whole of Bengal it established monopolies in calicoes, the finest Dacca muslins, and the finest silks which came from the Malabar Coast,

where to-day you will find clever weavers who turn out goods which are difficult to approach. The Company established all sorts of monopolies, and when Clive reorganised it, instead of making trade free, he made it more monopolist, while in England itself duties were put on silks and calicoes and other things so heavy that they would astonish you to-day. The duties on silks and calicoes were as high as 58 to 78 per cent. and as a consequence trade declined. This went on until 1830, when some of the European merchants who traded here petitioned Parliament that the duties were killing trade. The trade continued to decline, particularly in Dacca muslins, and as by that time Watt had invented the steam engine and the first spinning jenny had also been invented. Lancashire trade advanced and brought down the Indian cotton trade. These earlier traders, who had been granted licenses to trade, and who were called by the East India Company interlopers, petitioned Parliament against the duties, as I have said,—this is to be found in the journals of the House of Commons,—and Complained most bitterly that owing to the duties Indian trade was declining. In ancient India trade had been entirely free, and there were no tariffs of any kind; it was the East India Company which made the trade protective, and I firmly believe that it was the influence of the East India Company which made England a protective country until 1845, when Free Trade was established, thanks to Bright and Cobden.

Indian trade continued to decline until in 1850 there came a turning point. The first beginning was made by the Free Traders, who were anxious that Indian trade should develop, particularly on the side of cotton, for which there was great necessity, because the quantity

of cotton which then came from America was very small. The Free Traders said it would be good for Lancashire as well as for India that the Indian cotton trade should be developed. They also said at the same time that Lancashire piece-goods should be introduced into India, and by the irony of fate India was crushed between two stools, and lost a great deal of her trade. Coming down to 1882, we find that Indian trade, thanks to our beloved Viceroy Lord Ripon, was made entirely free. Whatever duties that had been put on were entirely abolished, and from that year we have gone forward and forward as the trade statistics prove. You will understand how this has been so, when I tell you that in 1854-5, the annual average export trade of India was only 18·75 crores, while to-day it stands at over 244 crores and the import trade at nearly 200 crores against 14·05 crores. Of course the colossal expansion of the trade since the fifties is owing to more than one cause. Coal and iron, steam navigation, machinery which the applied sciences have so fruitfully brought into play, roads, railways, canals and other communications, financial institutions and the organisation of credit and last though not least the opening of the Suez Canal since 1869, each and all in their respective sphere contributed to the vast expansion which we witness to-day and which is destined to be surpassed as years roll on and India takes her proper place in the international trade of the world.

Although I do not want to enter upon controversial subjects, I must say that my own personal opinion is that India owes its prosperity to-day entirely to Free Trade, and nothing else. I say this conscientiously from my study of the subject. Through the whirligig of

time which brings many changes, Indian trade which had been lost for almost a century is coming back to us by leaps and bounds, and I confidently hope that within the next few years we shall have a great deal of trade in our hands in the matter of the production of finer cloths which has for many years past been done by Lancashire. In the short space of sixty years, from 1855, when the first cotton spinning mill was started in Bombay by Mr. Cowasji Davar, and another but smaller factory started about the same time at Broach by an Englishman Mr. Landon, there have been established something like 230 mills in India, with an enormous aggregate capital. Indian trade has been developed on right lines. It is true that we are still very largely an agricultural country, but we also produce extensively a variety of raw materials for European trade. And these, gentlemen, do not in any way inconvenience Indian trade; they are the surplus of our products, which to the extent of nearly two-thirds of our total exports are going to England, the United States, Egypt and elsewhere. India is so self-contained that it can produce all it wants, and still export this immense quantity of materials. All this, I firmly believe, is the result of nothing but Free Trade.

Just imagine for a moment what you would have been to-day if there had been no spinning and weaving machinery in India. You could not have stimulated your industry to anything like the extent it has grown to. Even to-day India has not been able to produce a single piece of machinery, not even a single 10-horse-power boiler or engine. We have to get from England all the spinning and weaving machinery, and we have to go to the same country even for replacements of parts

incidental to the machinery. There is, however, a better time in prospect, and if the Tata Iron and Steel Works are successful everything will be altered. If England had been a protective country, and had placed a protective duty on all exports of machinery what would have been the position of India?

I admit that these old industries in India require to be revived. These and other new industries would necessitate protection during their infancy, say for 10 or 15 years. I am one of the convinced advocates of Free Trade, but yet I consider that some protection is required for old industries to be revived and for new industries to be started. In my opinion Indian industries will most succeed and flourish and firmly maintain their position when they stand in the open and keen competition of similar industries, without any artificial crutches, pursed by other nations in every part of the world. Although the East India Company by its duties did a good deal of injury to Indian trade, the nemesis of time is bringing forward its retribution in a benevolent sense and we are getting back our former trade inch by inch, so that no one can say what Indian trade may be a century hence.

Here you have seen Indian trade in evolution since 3000 B. C. to date, and to-day I am glad that there is established in our midst a Commercial College, the only institution of its kind in India. I take some credit to myself for this institution, although I do not forget how my friends Mr. Pestonji Nusservanji Wadia and Mr. Aiyar, the honorary principal for some time of this College, advocated it. But I do take this credit that I read before the Graduates' Association in 1908 a paper

in which I earnestly appealed to the University Senate to establish a faculty of Commerce and a Commercial College which would teach the science of commerce, as distinguished from ordinary book-keeping. And even earlier in 1906 I had discoursed on the same subject "the study of economics" at the Ferguson College, Poona. Therefore, it is a satisfaction to me that owing to the generosity of the Government, the Indian Merchants' Chamber and Bureau, the Bombay Chamber of Commerce, and private individuals we have been able to establish this College of Commerce. I feel sure that with such able and enthusiastic principal and professors the College will be raised stage by stage, so that it will flourish and send forth post-graduates, who will go here, there and everywhere, some devoting themselves to research and others to commerce and in that way help to develop the national trade. I now conclude this lecture with wishing every success and prosperity to the College and that it will flourish for ever more on a sure and solid foundation already raised by the State and the merchant princes of Bombay.

SCIENCE OF COMMERCE.

[The following is the full text of a Paper read by Mr. D. E. Wacha before the Bombay Graduates Association on 14th October 1908.]

INTRODUCTION.

It is well nigh half a century since Tennyson, with the inspiration of the true poet-seer, in one of his beautiful songs, which have left an imperishable name behind him in English literature, sang of the slow march of Science, "creeping on from point to point" and of the "glorious gains" it had achieved for the greater progress and happiness of mankind. But who is unaware of the further gigantic strides it has since taken from stage to stage of the incalculable benefits it has conferred on our common humanity, and of the infinite potentialities and possibilities which still await it in the womb of Time. Indeed were the poet to revisit the glimpses of this planet, where he has left a name and a fame, he would be amazed at the progress which Science has made in all its multifold ramifications. Such is the situation. It seems from our knowledge of its history during the last fifty years and of our experience of it at the present day that each generation will hardly have any adequate conception of the miracles which Science may realise and reveal to its successor. Truly did that great philosopher, Herbert Spencer, say, that "Science concerns all mankind for all time." Are we

not having daily evidence of the perfect accuracy of that observation in every walk of life? Look wherever you may, the glorious work of Science meets us at every turn—in health and sickness in the market and in the forum, in those great beehives of industry and commerce, in transportation by rail and sea, in States and Municipalities and in almost every walk of ordinary human life. Said Spencer, remarking on this universal phenomenon: "What knowledge is of most worth?—the uniform reply is Science. This is the verdict on all counts. For direct self-preservation, or the maintenance of life and health, the all important knowledge is—Science. For that indirect self-preservation which we call gaining a livelihood, the knowledge of the greatest value is—Science. For the due discharge of parental functions, the proper guidance is to be found only in—Science. For that interpretation of national life, past and present, without which the citizen cannot rightly regulate his conduct, the indispensable key is—Science. Alike for the most perfect production and present enjoyment of art in all its forms, the needful preparation is still—Science, and for purposes of discipline—intellectual, moral, religious—the most efficient study is, once more Science." Such being Science in its broadest and most philosophic acceptation, it will be readily admitted that of its many numerous branches, Commerce on which depends the well being of great States and nations, is one and that not the least. When we further bear in mind that Science is nothing if not organised knowledge, and that knowledge, before it can be acquired, must be possessed, it only stands to reason that the Science of Commerce is the study of one of the most important and far reaching of human activities. Of

course, every study has a purely experimental introduction, and as Mr. Spencer has correctly observed, it is "only after and ample fund of observations has been accumulated, should reasoning begin." Thus so far as Commerce—commerce in its *practical* aspect—is concerned, we have in these days accumulated a vast fund of facts and observations on which to build up what may be called the Science of Commerce. It is to this Science that I wish to draw your attention to-day. I am sure you will feel interested in the theme I am now about to unfold before you. I also trust it may be the means of attracting through your organisation the local University itself and enlisting the sympathy of its governing body. I shall consider myself amply rewarded if it is eventually productive of some good in the immediate future.

WANTED: A FACULTY OF THE SCIENCE OF COMMERCE IN THE UNIVERSITY.

My theme, shortly, then is this. That having regard to the expanding commerce of the world, of India included, the time has come when the University should *suô motu* bestir itself to institute a Faculty of the Science of Commerce just as the great Universities of London, Manchester, Leeds, Sheffield and Birmingham have established. It is superfluous for me at this time of the day to expatiate on the great utility and practical value of this all important and all embracing subject. Professor Ashley terms it "Business Economics." In his Presidential address on *The Present Position of Political Economy* at the British Association for the advancement of Science at Leicester, in 1907, in the Economics and Economic Section, Professor W. J. Ashley observed: "The revival of economic studies in

Great Britain of late years has been due to the almost unconscious convergence of several influences. On one side has been the growing interest in what are called "social questions," and, combined with this, a perception of the need for more systematic training for that work of municipal and political administration which is every day embracing a larger part of the national activity. It is to motives like these that was due the foundation of the London School of Economics. Too much credit can scarcely be given to those who, whatever their own economic views, had the statesmanlike courage to found an institution distinguished from the first by the largest impartiality, or to the first Director, Mr. Hewin, who conducted it through the difficult years of its infancy. Coming from another side there has been a realisation of the need for systematic training for commercial careers—the conviction to which has been due to the new Faculties of Commerce at Birmingham and Manchester, and the new Economics Tripos of Cambridge. I am convinced that the study of actual business organisation, methods and conditions is not only desirable for the preparation of our future leaders of trade and industry for their subsequent careers. It is desirable also for enlargement and deepening of the purely scientific understanding of economic problems." Here, then, it may be observed, one can realise in a nutshell the eminent utility of instituting a Faculty of Commerce.

SOME CANT AND FALLACY IN REFERENCE TO HIGHER EDUCATION AS ADVOCATED BY MACAULAY.

But before I expatiate, however briefly, on this most interesting and practical topic, it is needful to

clear the ground of some widespread cant which has for many a month past been dinned in our ears. It has been alleged in certain quarters, where greater enlightenment and more correct appreciation of the past history of Education in general was expected, that those liberal and broad-minded statesmen who were principally instrumental in formulating the course of Indian Education during the past half a centry and upwards committed a fundamental error in making no provision whatsoever for technical education while laying down the programme of high literary education. It is superfluous to say that the statesman, above all others, who most strenuously and successfully advocated that high literary education, was the brilliant Macaulay whose name is for ever enshrined in the hearts of the past two generations of Indians, and will be cherished equally warmly by generations of Indians yet unborn. He was one of that noble band of sterling English statesmen whose Liberalism gave India her great Charter of civic liberty and privileges—the Charter of 1833—and the other equally important and beneficent Charter of Education, known as the Educational Despatch 1854. Our Anglo-Indian rulers of the present day should feel proud of him and his colleagues, one of whom was the distinguished Sir Charles Trevelyan, who were so instrumental in lifting our countrymen from the depths of darkness, ignorance and superstition to the high level of enlightenment and civilisation. They valiantly endeavoured to hold before the then unillumined India the bright lamp of Higher Learning. To allege that they committed the fundamental error, while providing for high literary education, of having omitted to take measures for fostering and developing

technical education is to speak without the book. So far as the first kind of Education is concerned it is even acknowledged at this very hour by men still living and distinguished for their great scholastic reputation, that there can be no progress in high scientific technical instruction without the broad foundation of literary education. Let me for a moment refer to the learned speech which Lord Morley made only the other day on the occasion of his installation as the Chancellor of the University of Manchester. "Some other day you will let me come and talk to you upon some of those great topics of education. I would only like to say one thing, and that is to applaud you, if I may, and encourage you to be true to your mission. I mean by that don't allow technical teaching, valuable and essential as it is, to efface from your work or *even to throw into the second place the true objects and scope of a university.* It is a remarkable and most encouraging fact that there has been no learning during the last twenty or twenty-five years of the many benefactors of those institutions to limit their benefactions to practical arts. This would seem to justify us in hoping that *merely and purely technical teaching will not drive out teaching of the university type.*" Again, in January 1907, Mr. Haldane, speaking as the Lord Rector of Edinburgh University, expatiated on the same theme, namely, what should be the aim of university training. No doubt he emphasised the value of technical education but he put learning for its own sake on a higher level. Said he: "If universities existed in sufficient numbers and strove genuinely to foster, as the outcome of their training their moral and intellectual virtue, which was to be its own reward the humanity which had the

ethical significance that ought to be inseparable from high culture, then the State need not despair." At the same meeting Mr. Balfour, in giving thanks on behalf of the University, observed that "the University which was incapable of showing a genuine and disinterested love of learning, which could not produce leaders of men, but which merely enjoyed its endowments and did nothing for them, was not only no aid to national life but was a positive burden upon all the higher ideals of the nation." But let me for a moment take you back to those days when Huxley was Lord Rector of Aberdeen University. What he then said has lost not an iota of its value and relevance even to-day, though meanwhile science and technical education have been well recognised by all the great European universities. While he pleaded for the fuller recognition of Science in the university curriculam, he also stoutly advocated the maintenance of those literary and classical studies which have hitherto held a position of monopoly in British Universities. And it should be remembered that Huxley, though a scientist of worldwide fame, applied himself to mastering the Greek tongue and read Plato and Aristotle in the original. Further it is superfluous to remind you that it was on account of the revival of ancient classical learning that we owe the Reformation and the rising of those intellectual giants of the eighteenth century, including Rousseau, Voltaire and Diderot. There are also the sweet reflections of a great French poet, of the troublous days of 1789, no other than Andre Chenier, as to the imperishable value of the classics in that fine fragment of his called "Invention." Chenier tells us with loving reverence how much the world is indebted to the inspiration of the ancients:—

"Let us change to golden honey flowers whose
fragrance, aye, will last.
Paint the thoughts that throng the present with
the colours of the past;
Let us light our modern torches at the old
poetic fires,
Sing us songs to rouse and awaken us to the
tunes of ancient lyres"

Thus it is fallacious to decry high literary education including the classics without which no university worthy of the name can be allowed to exist. And they are raising a hollow cry, those men of narrow learning and narrower political sagacity, who are at present depreciating the literary education imparted in our universities on the model, as far as practical, of the great English Universities. The broad foundation of that education has first to be firmly laid in order that the other branch of education may be better imparted. So far, then, I repeat that those who deny or depreciate the value of literary education in priority to scientific and technical are only indulging in a fallacy which requires no further demonstration. They are a bigotted and benighted fraternity crying in the wilderness.

But apart from this fallacy, it should be borne in mind that the authors of the policy of Higher Education in India were not at all blameable if no provision or forecast was made regarding technical education. England herself had hardly understood the value of that branch of education till 1875 or 1880. None of the older Universities of Great Britain devoted any attention to the subject. It never entered the heads of the governing bodies of those institutions till their eyes were opened by the great captains of industry. The latter pointed out the economic revolution which was to be witnessed in Germany and in the United States, revolu-

tion which brought into sharp conflict the commerce of Great Britain with that of those countries. It is a matter of common knowledge that it was Germany which first understood and realised the application of science to industries and trades in a most comprehensive spirit. They were German thinkers and German men of science who thirty years ago and upwards inaugurated that era of highest *scientific* technical education which in a few years more led to the prosperity of German commerce and German manufactures which are today the theme of universal admiration. And so, too, was the case with the United States which closely followed Germany. England was far behind those two countries as English educationists and distinguished economists themselves have told us. The British became only recently alive to the utility of that education. The importance of the subject only dawned on them when Germany undermined England of some of her most lucrative industries prominent among which was dyeing. It was the German who was years ago the importer of what are known as coaltar dyes, the anilines and alizarines of commerce. England had a trade of over four millions sterling in this dye alone. But it was German chemistry and German application of practical chemistry to this branch of the trade that snatched away almost the whole export trade of Great Britain. One quotation, and that from a distinguished Englishman, who is an acknowledged expert on technical education, is enough to make you thoroughly understand the scientific basis of German prosperity. Just five years ago Sir Philip Magnus, who is still connected with the Technical Education Board of the London County Council, speaking as President of the

Conference held in connection with the summer Meeting of Extension students at Oxford, on the subject of the relation of science to industry, observed that "they might confidently assert that the progress and development of a trade depended more largely upon the intelligent and constant application of science to every detail than upon any other cause. *The intimate connection between industrial progress and scientific activity did not admit of question.* But if positive proof was needed it would be found in the concurrent development of the trade of Germany and of the facilities provided in that country for the scientific training of the people . . . German people had recognised this dependence by providing at a cost vastly exceeding any like expenditure by this country the best possible opportunity for scientific training and research. No expenditure had seemed too lavish for the equipment of her leaders of industry with the best available knowledge or for the endowment of institutions in which science was methodically pursued. *This fixed policy had changed Germany from an agricultural to a manufacturing nation.* Between 1870 and 1900 the number of students in German universities and at technical and other high schools had increased from 17,761 to 46,520, or from 8·39 students to 10,000 of the male population to 16.78—showing not only that the number of students had nearly trebled itself during that period, but that the proportion of highly trained scientific men had been doubled. The net cost of each student to the State was about £12 a year, and the total contribution of the German Government to higher education could not, therefore, be less than £500,000 a year. This expenditure included the annual cost of the maintenance

of the Universities, but it should always be remembered that *most of the discoveries made in Germany which had proved of permanent value to German trade had been made in the laboratories of university professors.* When they considered that Germany had deliberately incurred this heavy expenditure with a view of strengthening her industrial position, and had pursued the same policy for nearly 50 years, and when, further, they noted the marked success of her efforts, they had very strong evidence of the commercial gain to a nation of closely associating the results of scientific investigation with industrial work." From this pretty long extract which I have advisedly quoted, it would be plainly understood how far the Germans were in advance of the English in this important branch of education. The United States were the next to Germany, as might be best learnt from the report of Mr. Mosley's Education Commission in 1903. England has only realised its value within the last 20 years, and even then she could not boast of any large expenditure approaching Germany and the United States. From the above statement of facts it will be obvious that when Macaulay and others laid down the policy of Higher Education for India, England herself had not the slightest notion of the importance and value of technical education in her own universities. How may then Macaulay and the other Liberal statesmen, who were associated with him in the noble work of higher education for Indians, be reproached for what they had done? In my opinion it is utterly unfair for those who are now absurdly attempting to prescribe literary education to run them down. It is pure cant. Evidently, they do not seem to have any spirit of historic instinct, much less of justice. The policy

formulated by Macaulay was the result of the environments of the English Universities of those days. It is no doubt an excellent pastime to criticise the past especially when the event has long since slided into the domain of history. But it may be fairly inquired whether the present day wise men who are so fallaciously criticising Macaulay would have laid down any other educational policy, assuming that they had been contemporaries of Macaulay and chosen for the purpose? I here could give only one answer to the query, and that in the negative. It was an impossibility, I repeat, bearing in mind the environments of the English system of Higher Education in those days. Gentlemen, I have detained you at some length on this aspect of the question, but I felt that I would be wanting in my own sense of historic justice and fair play had I allowed this cant to remain unexploded at the present juncture. I am glad you have given me this opportunity to vindicate the policy of those noble-minded Englishmen who have given us the boon of that Higher Education of which educated Indians of the last fifty years are the product—a product of which every fair minded Englishman ought to feel proud. But for such men how might have the administration to-day, in all its multifarious branches, been carried out and how seriously their want might have been accentuated? If even so great a statesman as Mountstuart Elphinstone, long before Macaulay, was strongly in favour of such education why should Macaulay be denounced now?

INDIFFERENCE OF THE INDIAN GOVERNMENT TO TECHNICAL EDUCATION.

But it is needful before I resume the subject proper of the paper, to recall another historical fact. It was in 1882,

when the Education Commission, appointed by Lord Ripon—India's most beloved Viceroy, the like of whom we have had not good fortune to boast since his departure—went round the country and took evidence that brought to the surface for the first time the popular view on the advantage of introducing technical education into the country. The voice then raised was hardly articulate. But within three years it became sufficiently emphatic. I need not remind you that one of the earliest Indians of note who paid serious attention to the practical aspect of that branch of education was Mr. Dadabhoy Naoroji. Having bestowed considerable thought on the subject, he prepared a paper thereon which was presented to Lord Reay for careful consideration. The demand for technical education *in reality emanated from the educated classes themselves who had received literary education.* The late Mr. K. T. Telang, who was a member of that Commission, was himself strongly in its favour. And so were Mr. (now Sir) Pherozeshah M. Mehta and the late Mr. B. Tyabji. So much so that it was resolved, at the public meeting of subscribers held to perpetuate the memory of Lord Ripon, that the fund raised, amounting to nearly two lakhs, should be utilised for the endowment of a technical school. Bombay owes it to the practical experience and abiding sympathy of so able an educationist and Governor as Lord Reay and to the enlightened philanthropy of so eminent a captain of industry as the late Sir Dinshaw M. Petit, that the persistent and unceasing joint efforts of Messrs. Dadabhoy Naoroji, Pherozeshah Mehta, Telang and Tyabji in this direction were happily brought to fruition. This was in 1888-89. Other provinces afterwards

prayed for technical institutions. Their voice came later on to be well articulated times out of number on the platform of the Indian National Congress by well-known experts in education and in the Viceregal Council itself. But even after those appeals, it must be stated, in the interest of truth, that the Government of India was almost indifferent, is not neglectful, to stimulate this branch of public education. It expended practically *next to nothing*, and it is only since the last few years that a grant has been doled out which, howsoever it may be deemed to be "liberal" from the point of view of the Government of India, is a mere *bagatelle* compared to the millions spent by the United States and the hundreds of thousands by Germany and Great Britain. Practically, therefore, it might be fairly said that *it was the people themselves* who had awakened to the importance of technical education, side by side with the literary, and that the Government was some years *behind Indian public opinion when it might have been years in advance of it.* At any rate, nothing could have prevented it from taking active steps in this direction after the report of the Education Commission. Dilatory and niggardly as the Government of—India has been in matters of all branches of education, it was at least ten years after that event that it made an honest effort to meet popular wishes and popular aspirations in this respect. Those who in and out of the Press have *now* been urging the substitution of technical education to a large extent for purely literary one are, therefore, again wrong in their historic instinct and actual statement of facts. Moreover it should be remembered here that the technical education now so generally spoken of is the education in the *industrial* branch only and not

in the *scientific*. But I am speaking in this paper all through of purely scientific technical education of a high order, and not merely the bread and butter branch of it.

ECONOMICS—THEORETICAL AND PRACTICAL.

But leaving alone technical education, it might be further inquired what efforts have been hitherto made by the Government and the Universities to stimulate the study of practical economics so sternly demanded by the materialism of the age and the keen competition going on all over the world in arts and industries, commerce and manufactures? Here, we have to reproach the governing authorities of the various Indian Universities. Their short-sightedness is to be greatly deplored. I do not mean to deprecate the efforts which are made by the Professors of our Art Colleges in this connection. To a large extent their hands are tied down owing to the hard and fast, nay, narrow-minded, rules and regulations imposed by the Universities. Those, I regret to have to state, have not risen to the importance of the teaching of Economics, theoretical and practical, in the way it is taught in the Universities of Germany and the United States. But, perhaps, I am doing an injustice to our Universities, when the English Universities themselves were within the past quarter of a century so far behind German and American. As in technical and scientific education of the higher character so in the matter of Economics, England was aroused only when she was hit hard by German and American trade competition. As far back as October 1901, Mr Haldane, speaking on Education and Commerce and the functions of a University in the commercial city of

Liverpool, observed at the University College, that "the double aim of the German University system—pure culture and the application of the higher knowledge to commercial enterprise—was a proving feature of German life. Taking primary, secondary and tertiary education together, the expenditure of public money upon it in Germany amounted to 25 millions sterling annually. He would be a pedant who thought that education alone could determine the commercial position of a nation. Yet more than ever as science tended increasingly to reduce nature to subjection, education became important. In the United States a highly practical people were taking this view and it was noticeable that the rapid increase there of Universities and technical schools was largely due to the faith in their efficacy of practical men of business. The Anglo-Saxon race, here as in America, was probably in energy, in courage and in doggedness of purpose the superior of all his European rivals in commerce, *but organisation and instruction* had been carried to a far higher pitch in Germany and Switzerland than with us, and if we were to hold our position we must furnish ourselves with the discipline and the weapons with which the foreigner had himself prepared for the contest." Thus it is that English Universities are greatly wanting still in those weapons. They are yet inadequately equipped. And it is because Indian Universities slavishly follow these that there is even now such a lee-way to be made up in point of the study of practical economics in relation to commerce. Professor Ashley has observed that though the English Universities have been steadily shaking off the old orthodox economics, now so antiquated under the modern conditions of trades, manufactures and navigation, it

will perhaps take another quarter of a century to have a new modern system firmly established in its place. "Though there has been a new growth of abstract speculation," chiefly owing to the teachings of the distinguished Professor Marshall, "since the first phase of orthodoxy passed away, there has not emerged a second orthodoxy so far. . . . The criticisms of the historical school have not led, so far, to the creation of a new political economy on historical lines; even in Germany it is only within very recent years that some of the larger outlines of such an economics have begun to loom up before us in the great treatise of Gustav Schommuller. But what has, at any rate, been secured in this country is a most substantial increase in the knowledge of our own economic past . . . Accompanying the new zeal in this country for original research there has come a recognition equally new of the importance of economic history in the examination requirements of the Universities. A large part of it has been more or less closely connected either with Cambridge or with the London School of Economics, and it is notorious that the impulse has been due in the one place chiefly to Dr. Cunningham and in the other chiefly to Professor Hewins and Mr. Webb. Accordingly it is appropriate that economic history should have been given a respectable place alike in the Cambridge History Tripos and in the examination for Science Degrees in Economics in the University of London. Even more significant is the room made for Economic History in the Economics paper the First Class Civil Service Examination, both for home and Indian appointments." It is a matter of congratulation so far that England, awakened to her new environments, owing to trade rivalries, has now become keenly alive to

this question of the study of new Economics. And it is also a matter of gratification that the future members of the Indian Civil Service of India will come better and more adequately equipped with new economic studies. Still Professor Ashley is sorry to observe that there should exist a certain tendency, an unfortunate one, towards sharp division for academic purposes between economic theory and economic history.

"ECONOMIC SCIENCE IS BUT THE WORKING OF COMMON SENSE."

In this connexion Professor Marshall has correctly observed that though the economist is greedy of facts, facts by themselves teach nothing. Says he: "History tells of sequences and coincidences; to interpret these and draw lessons from them requires the aid of reason. The work to be done is so various that much of it must be left to be dealt with by trained common sense, which is the ultimate arbiter in every practical problem. Economic science is but the working of common sense, organised and equipped with a machinery of general analyses and reasoning adapted for collecting, arranging and drawing inferences from some particular class of facts. . . The study of theory must go hand in hand with facts; and for dealing with most modern problems *it is modern facts that are of the greatest use.*" It is just here that for purposes of imparting a sound and correct knowledge of theoretical and practical economics of the day, the old orthodox authorities must to a large extent be discarded. Aye, even some of the general axioms laid down a century ago, or half a century ago, must be considerably modified. International trade itself has been the growth of the last fifty years, thanks, first

to British Free Trade, still robust enough though vigorously assailed in the country of its brith, and, secondly, to the unlimited facilities of navigation afforded by steam vessels, themselves the products of physical science applied to the shipbuilding industry. The Suez Canal, a monumental piece of the highest engineering, which the civilised world owes to the genius of Lesseps, has, in this respect, wholly revolutionised the entire trade of the world. It was the greatest stimulating element in modern navigation, unique and unparalleled. The colossal tonnage which is carried to and fro, from West to East and East to West, bears unimpeachable testimony to this fact. A comparison of the statistics of that tonnage, and the trade represented by it, during the first decade of the history of the Canal with those ending with 19C7, not only astonishes us but takes away our breath. Such have been the actual potentialities of the great international trade built up by the Canal. That such a gigantic trade should bring in its train a vast number of complicated international trade problems is, of course, easily intelligible. Their solution has taxed the most eminent jurists, millionaire capitalists and princely merchants. Orthodox economists had not the faintest conception of this trade. So that it will be readily admitted that if the economists of the day are to teach the modern Science of Commerce they must embrace in their treatise the gigantic influence exerted by the Canal itself, apart from a hundred other factors. Hence every impartial student of economic history must agree with the great Cambridge Professor in his further observation, that "the records of the distant past are slight and untrustworthy, and the economic conditions of early times are wholly unlike those of the modern age

of free enterprise, of general education, of true democracy, of steam, or the cheap Press, and the telegraph." To this must be added electricity itself with its infinite potentialities and possibilities. What tremendous influence even at its present initial stage—for your men of Science will tell you that the world is still at the threshold of the interpretations and uses of this great natural agent—it has in connection with the production and distribution of wealth! Under the circumstances, it would be fatal to dogmatise even in respect of the new Economics and Economic History which is steadily superseding, if it has not already superseded, the orthodox teachings of the last half of the eighteenth and the first half of the nineteenth century. Great caution and intellectual modesty are highly essential when even modernised economists come to consider the present condition of the principal countries like India, China and Japan which were almost wholly without the purview of the older class of economic teachers. Here the exceedingly thoughtful reflections of the late Mr. Ranade, to be noticed in his introduction to *Indian Economics*, come very apposite. That learned scholar and practical statesman has warned us against too ready an acceptance of the dogmas of western economists of the old type. Modern economics, even in the sense so clearly understood by Professor Marshall himself are at present in their empiric stage. It is inevitable that they should be so, seeing how daily before our eyes fresh modern social and trade problems, undreamt of before, are pressing themselves on our attention and demanding a scientific solution. Indeed the more one thinks about these problems the more the conviction grows on his mind that the Science of Econo-

mics must continue to remain for all practical purposes more or less in an empiric stage like the Science of Medicine. As new diseases and sanitary problems demand new treatment, so new phases of the world's production and distribution of wealth demand fresh treatment. The treatment of yesterday is felt to be inapplicable and obsolete to-day. Great thinkers are constantly at work reflecting on the new phenomena presented by these new elements. One set of commercial, industrial and other economic problems, the truth of which may be recognised to-day, are superseded by another the next day. So that the generalisations of to-day become almost obsolete to-morrow and futile for practical considerations. No doubt there are a few fundamental formulas on which all are generally agreed. But it will be yet years before economic doctrines generally acceptable to modern conditions will be stereotyped for purposes of every practical test. So that none can dispute the wise observation of Professor Marshall that "the Science is still in its infancy."

DEFECTIVE SYSTEM OF IMPARTING ECONOMIC KNOWLEDGE.

It would, however, be idle to assert that because the Science and History of Economics of the opening Twentieth Century are in their infancy, nothing or next to nothing, therefore, should be done by our Indian Universities. I do not believe that there could be any sane person who would be so rash as to make such an assertion. If we are then all agreed that this all-absorbing study which embraces the entire domain of Humanity in its daily economy should be fostered and stimulated in our colleges and universities, then the next question

which suggests itself is how it should be practically and rationally taught? Mere lectures of the conventional character will be of little utility. It is to be feared the general system of teaching in this branch of knowledge is in many respects defective. It is essential in order to meet modern requirements that, firstly, there should be introduced the latest and most approved modernised text-books for teaching, and secondly that experts not only well grounded in modern Economic and Economic History but possessed of large practical experience of trade and commerce in all its multifarious allied branches should be engaged. Lecturers of such qualifications, it is to be feared, are a desiderata. But it is in these two directions that the serious attention of the Government and the governing authorities of our Indian Universities should be drawn.

SWADESHISM AND MODERN ECONOMICS.

Thus the institution of a Faculty for Science of Economics and Commerce becomes inevitable. Chairs should be endowed for the purpose both by the State and by munificent patrons like those who have endowed chairs in Manchester, Birmingham, London, Harvard and elsewhere. It is highly essential at this juncture to bear in mind the important fact that the study of the laws and tendencies which govern masses of men in the universal struggle for a living is a valuable training. Such training has now been recognised all over the great commercial countries of the West, and it is impossible that it can any longer remain unrecognised in India. Indeed nowhere is there so much the pressing necessity for such a study as in this conntry where, it must be observed with profound regret, there prevails

almost Egyptian darkness on the question of Economics. Here is the spirit of Swadeshism spreading far and wide—I mean that genuine desire for beneficent industrial revival on a sound and healthy footing, absolutely free from the militant cant and mischievous shibboleths now in evidence in some utterly misguided and misdirected quarters—but where is the study of Business Economics. To my mind, as to the mind of the vast majority of sober thinking Indians, imbued with sterling patriotism, pure and unselfish, there is not the least doubt of this Swadeshi spirit having taken deep root in the soil which in the fullness of time will yield a rich harvest. It has animated, and is animating, all strata of Indian society. The broad fact has come to be firmly recognised that no community or nation, in these days of the keenest, I may say fiercest, competition, can ever expect to advance its material progress and prosper unless and until it strenuously strives, with all the ability and the resources at its command in the direction of commercial and industrial enterprise. Self-reliance, thrift, and capital are no doubt the first essentials; but these by themselves are insufficient *without the fundamental accompaniment of a broad liberal education, and, secondly, a sound training in the Science of Economics.* It should be also remembered that no State could flourish without a reasonable revenue. And the two most yielding sources of revenue open to it are those derivable from agriculture and commerce. The soil must produce those things which are needed for maintaining life. The residue of the produce, after home consumption, must be exported abroad. It is at this stage that the aid of commerce is necessary.

WIDER INDIAN COMMERCE AND ECONOMIC STUDIES.

Unles a country's surplus products, be they raw materials or manufactured and partly manufactured articles, are exported in order to get an equivalent by way of import in other commodities which cannot be produced by itself or which can only be produced at enormous cost and needless sacrifice, there can be no commerce worth speaking of. It is the wealth which surplus products sent abroad bring to a country which enriches it. Thus, with Swadeshism steadily progressing in India, and with Indians growing more keenly alive to the importance of acquiring such wealth in a larger degree than at present by means of extended international commerce and vaster "home" trade, it is evident that nothing is so fundamentally essential towards achieving the object as economic education. The poverty of India is acknowledged on all hands. There may be differences of opinion on the point of actual income per head of the population. The pessimistic school put it down at Rs. 20 per annum and the optimistic at Rs. 30. But whether it is the one amount or the other matters little. There can be no two opinions on the poverty of the country itself. Compared to the annual income per head of even the poorest country in Europe and the United States, Indian income is so miserable indeed that unless herculean efforts are perseveringly and earnestly put forth to increase it, there can be no material regeneration. And it requires no words of mine to inform you, Gentlemen, that without material and well ordered prosperity our moral and intellectual condition must to a certain extent suffer. How to attain that object is the question which the rising generation,

should put to themselves. Colleges teach self-discipline, self-restraint and self-reliance. These are the rich heritage of every college student in every part of the world. But what about thrift? That comes either by heredity or by personal efforts. I am rejoiced to say that in India thrift is the rule rather than the exception. It is a virtue possessed by the Indian, be he rich or poor. It is both hereditary and acquired. There can be no mistake about it. I am one of those who feel that they are downright libellers who speak of the masses, specially the agricultural masses, as steeped in habitual improvidence and extravagance. It is pure official cant like many another cant which is time out of number dinned in our ears. But there is impartial official testimony itself in support of the thrifty character of the Indian masses. Not to travel beyond our Presidency itself, there is the report of the Deccan Ryots Commission of 1874 which he who runs may read. Among its members was the late Sir Auckland Colvin, a most distinguished official who was never unmindful of formulating generalisations on great Indian problems without care and investigation. You will find ungrudging testimony borne therein by the Commission to the habit of thrift among the Indian peasantry. Other impartial officials, from Munro and Elphinstone down to Mr. A. O. Hume and Sir William Wedderburn have equally testified to that virtue. Thus thrift every Indian has. Capital, too, in however limited a degree, he may possess or borrow. But self-discipline, self-restraint, self-reliance, thrift, and capital—all will be of partial avail only unless we are well equipped mentally—I mean well grounded and trained in the modern science of Commerce and Economics, on sound principles, if you are to make India

every way richer than it is both materially and morally. You will thus understand why I lay so great an emphasis on the value of this study.

EDUCATED INDIA SHOULD VIGOROUSLY PURSUE COMMERCE AND INDUSTRY.

At this point of my address I wish to offer another observation which has been uppermost in my mind these many months past in connection with the steady progress of Swadeshism. It is indeed time, in my opinion, that the majority of graduates whom our Universities now turn out in their hundreds and thousands year after year should seriously consider the advisability and expediency of following some art or trade or industry when they put aside their college gown and don the toga of the citizen. Of what use prolonging the wail, now extending over thirty years and more, about the poverty of India? It is there. The official hierarchy has left no stone unturned to disprove it, but has egregiously failed. Even Lord Curzon failed. The public have over and over challenged the bureaucracy to demonstrate the non-existence of poverty. But they have studiously avoided accepting the challenge. That very fact is negative evidence. I am as staunch a believer in the theory of the politico-economic drain as Mr. Dadabhai Naoroji. But let us look to the practical. Of what use further engaging in this controversy? It is well-known that Mr. Dadabhai's school robustly affirms and reaffirms the "political drain" as the principal cause of the present poverty; while the official classes and those who glibly and airily echo their opinion with equal persistency deny it. But what is most essential to bear in

mind at present is that India has awakened to the importance of industrial regeneration. And the question of questions is how may we diminish Indian poverty and induce prosperity in the land. We may therefore leave time to bring about an end of the "politico-economic drain." Sooner or later the better mind and better conscience of the British Democracy will be able to remove that gigantic financial injustice which is the predominant cause of the drain. The better this Democracy is educated and the more accurately it is informed on this question it is certain to become fully alive to the economic evils which the drain has wrought on India during the last hundred years and more, say since the days of the far-sighted John Shore who openly warned his masters at home on the subject. That psychological hour will witness the cessation of the drain. But so far as the poverty, or if you please, comparative poverty, of the country arises from the insufficiency of arts, industries, manufactures, and diversity of occupation, it is essentially necessary that the present generation of educated Indians, and those coming after them, should strenuously strive to pursue commerce and industries. It is needless to bring to your mind the instance of German poverty as it prevailed prior to 1870. Was not Germany, like India, almost wholly an agricultural country? And yet survey its position to-day. What has wrought such prosperity there at present. And why is it that it is prosperous? The answer has been given *ad nauseum* by British merchants themselves. *It is German commerce based on scientific education.* Applied sciences, chemistry particularly, and the cultivation of Economics, theoretical and practical, in the sense conceived by Professor Marshall, have brought about the

wonderful transformation which rejoices every true son of the Fatherland; and I wish the sons of the Motherland of India will strive, to follow the magnificent example of Germany as well as of the United States. Remember that the liberal professions, followed by so many of the educated, are now overcrowded and these threaten in the future to be still more overcrowded. Situated as we are politically we are denied the privilege of serving in the army. There are, besides those of law, medicine and engineering no other professions to speak of. The avenues of career which brings wealth are so limited. Is it not plain that the pursuit of commerce and industry is the best as it will prove the most lucrative. Let me be frank. Even when Indians hold every State appointment now held by the members of the foreign bureaucracy, it will not be possible for the overwhelming majority of the educated to find government employment. Is it not obvious that educated Indians under the circumstance would do well to betake themselves largely to commercial and industrial pursuits? Enlightened self-interest as much as genuine patriotism should prompt them to follow those pursuits. It is the only royal road to diminish, if not entirely remove, the existing poverty of the land. It is the only road which shall lead to comparative prosperity—moral and material.

INDIAN COMMERCE AND THE ANCIENTS.

It may also be instructive to recall the fact that India traded with the nations of the West from times the most ancient. It is also on record that it had trade communications with the Far East. The rich spices of India, its calicoes, its precious stones and pearls were

greatly prized. The trade in these and other commodities fairly enriched the country. There are books extant in which you can read all regarding ancient Indian commerce. Your orthodox economics would teach you that it was only since the Middle Ages that the great States of the world have come to realise the enrichment of a country by trade. But this in incorrect. We may ask these what about the commerce of ancient Babylon three thousand years ago and upwards? What about the trade of Egypt? Of Persia? Of India and far distant China? Thanks to the archæological discoveries of the last quarter of a century historians and philologists have been immensely enriched by the glorious finds which the excavations of those great ancient countries have brought to the surface, and been able to revise the verdict most materially of the old type of their class who preceded them. These finds tell their unerring tale about ancient commerce and belie the dogmatic assertions of the antiquated school of economists. Of course, it may be at once admitted that the commerce of the ancients never entered into the busy domestic life of the mass of the people as modern commerce does. The art of navigation alone from the days of Columbus has enlarged the visions of States about foreign commerce. But in times ancient the sea was a great hindrance instead of help, albeit that we know how the enterprising Phœnicians scoured the Mediterranean and sailed as far as the Cassiterides (Cornwall.) Aye even before their time, according to the most recent testimony of a distinguished archæologist, one of the Pharoahs had caused a doubling of Africa from the Nile by way of the Mediterranean and the Cape to the Red Sea, back to Thebes. Then we have the Carthagenians and the Romans. But

these two were great sea powers from the point of view of political rather than commercial supremacy. And as to India there are the ancient geographers and travellers who have recorded their own experience to which it is superfluous to refer in this paper. But it may be generally said that the Egyptians, Babylonians, Phœnicians, Corinthians, the Greeks, the Carthagenians—all these were nations who had limited commercial enterprise in them. There were again such towns as Sidon, Tyre, Antioch, Memphis, Alexandria, Cadiz, Masillia, and Syracuse, and Colonies like those of Cyprus, Rhodes, Miletus, Corcyra and others. And who in India, it may be asked, is unacquainted with Baragyza and Taprobane, the modern Broach and Ceylon which carried two thousand five hundred years ago and upward a lucrative trade in precious stones, pearls, spices and other Indian commodities.

THE CRUSADES AND THE DAWN OF WESTERN TRADE.

Of course, the epoch of the Crusades marks the dawn of western trade. Those semi-religious campaigns brought once more the West into contact with the East and opened the vista of profitable trade. The Venetians and the Florentines followed. Then came the Spanish and the Portuguese, with Pizzaro, Vascode Gama and Columbus. Then finally look at the Dutch Colonies in the Eastern Archipelago and the East India Company which rose from a body of pure traders to be territorial magnates and rulers. You may read a most comprehensive account of the trade of India in the seventeenth and eighteenth centuries in the two bulky volumes by Mr. Milburn.

SCIENCE OF COMMERCE.

Coming to commerce itself, let me detain you for a few minutes more in order to impress upon you what may be practically called the *Science of Commerce.* Active commerce leads to theoretic formulas about markets, the laws of supply and demand and so forth. Supply means production, and production ultimately resolves itself into agriculture and manufacture. Manufactures suggest inventions. Inventions bring us to scientific research. And thus inventions become themselves a source of wealth. Demand brings us to distribution which necessarily leads to the problems of transportation by land and sea, ships, steam-boats, railways and, possibly, the aeroplanes. They in themselves are divers sources of wealth. Then wealth brings us back to the old economic problems about capital, labour and profits. These in their turn suggest problems of inter-provincial and international trade, international tariffs and international treaties, international ethics and theories of foreign and inland exchanges besides banking, insurance, trust and so forth. Again the protection of merchandise by sea brings us to the consideration of problems of mercantile cruisers, navy, contraband and maritime laws, including those of marine, insurance. Thus higher commercial education has come to signify a system which, as Mr. T. A. Stephens says, "stands in the same relation to life and calling of the manufacturer, the merchant and other men of business, as the medical schools of the Universities to that of the doctor—a system that is, which provides a scientific training in the structure and organisation of modern industry and commerce, and the general causes and criteria of prosperity. It will be noticed from the mere enumeration

of the problems just mentioned and speaks of others how comprehensive and exhaustive is the subject of the Science of Commerce. But so far I have corken in general terms of supply and distribution. *Education* is the third and most vital. Says Mr. Gastrell in his book on the *Trade of the World.* "Education comprises the whole system of instruction, not only that part which forms the ordinary curriculum (elementary and secondary teaching) of every one before entering into profession or trade, but also the practical, technical and scientific education or facilities given to a man, after passing this stage when he joins the sacred rank of producers and distributors of a nation's wealth."

GERMANY, THE PIONEER OF SCIENTIFIC COMMERCIAL EDUCATION.

Where then, it may be inquired, did the Science of Commerce, or as Professor Ashley would put it "Business Economics," first take root and flourish with substantial classes, numerous teachers specialised, as well as general? Of course in Germany where, as that economist observes, "political economy was represented in a score of universities by a department in active, thriving operation, at a time *when no similar department could have been found anywhere in England.*" But even more than Germany it is the United States where Commercial Science on the most approved and modern principles is taught. It is much to be wished you and others would read, mark and inwardly digest the Report of the Mosley Commission to which I have already referred. Commercial Science is taught in America because every American, as soon as he is out of his college, thinks, in nine cases out of ten,

to betake himself to commercial pursuits. Says Professor Ashley, after his experience at Harvard, that "the most powerful motive which led students to enter economic courses was a widespread belief that such courses would be practical benefits in their subsequent careers." Many a man said to him: "You see, I am going into business, and I think it will be a good thing to hear something about trade and industry and so on." That is the right intellectual attitude which I should very much like to see among all our Indian-graduates. I repeat that the time is ripe for such a study when all throughout the country the spirit of Swadeshism is keenly awakened and when everybody at heart yearns to see the economic conditions of India vastly ameliorated.

"BUSINESS ECONOMICS."

Says Professor Ashley:—"The main chance for our study just now lies in the new disposition of the public to believe that students can be given in our Universities a training definitely adopted to prepare them for a business life—a training in which economics in some form and to some extent must, it is generally allowed, form a part." "But for such a purpose," continues the Professor, "is required a much more objective survey of the actual facts of commercial and industrial activity; and by the side of this widened political economy—a science which looks at the interest of the whole society as organised in the State—there must be created something that I may provisionally call *Business Economics* which frankly takes for its point of view the interest of the individual business man or business concern." And it is this very point of view which I would impress on the

governing authorities of our Indian Universities as greatly calculated to stimulate and support the spirit of industrialism which is now so much abroad. I am entirely in accord with the learned economist when he observes that what has to be increasingly borne in mind in connection with the Faculties of Commerce, established in some of the English Universities, is this. That if we are to give future business men a suitable training in our Universities there should be "a sustained and systematic treatment of economic questions as they present themselves to men engaged in business—a treatment which will frankly take business success as the immediate criterion for the matter in hand; though it will take care to explain again and again that considerations of business expediency no more determines the nature of the effect of certain actions *on society at large* than the rules of the art of strategy determine the benefit of military operations."

VIEWS OF PROFESSORS CHAPMAN AND ASHLEY.

But, gentlemen, the subject is so comprehensive and at the same time of so vast importance to the future material welfare of the country at large that it requires quite a volume to dilate at length on it in all its rich details. What I have in the brief compass of this paper endeavoured to do is, firstly, to awaken the interest of our countrymen in the study of practical economics and economic history as understood by the most scientific and distinguished economists of the West, specially of Germany and the United States, where the study is far in advance of what it is in England; and, secondly, to enlist the sympathy of the governing bodies of our Universities, to widen, in another most important and

profitable direction, the scope of their teaching which, in times to come, is certain to revolutionise the economic condition of India in harmony with the new spirit which is so actively rife in the country and which is taking such satisfactory strides forward. The Government itself has more than once declared of late that it is most anxious to see educated India direct its attention to channels which shall be productive of the greatest good to themselves individually and collectively, and to the country. It has already established a new department of the State which exclusively deals with almost everything appertaining to the commerce, arts and industries of India—a department which, it is to be hoped, will realise the sanguine expectations formed of it as it grows older in years and acquires that accurate knowledge and experience which are essential for its success. Apart from the institution of this Department, at the head of which we have now a most capable and open-minded Minister in the person of the Hon'ble Mr. W. L. Harvey, the Government could not do better than take another step forward in the same useful direction by endowing chairs of the Science of Commerce in our Universities and urging those seats of Higher Learning to institute Faculties of Commerce. We have now Faculties of Science and Faculties of Agriculture. Is it not time that Faculties of Commerce should be established—Faculties which are already instituted in all the great Universities founded by large commercial and manufacturing towns like Manchester, Liverpool, Leeds, Sheffield and Birmingham. Speaking at the Manchester University in November, 1906, Professor Chapman, who is the Dean of the Faculty of Commerce there, remarked that ten years ago there were no Faculties

of Commerce in Great Britain, although such institutions under another name existed abroad. Of course, to-day there are many such, not mere experiments, but schools doing the utmost good to the country. "There was no more mistaken notion than to suppose that to broaden the conception of true education involved the weakening of the old-fashioned literary and classical studies. All experience and all logic pointed the other way. The more modern education was widened, the more extensive became the study of the classics. The ideal of the new Faculty of Commerce as of all the other sides of the University was to encourage genuine thought about matters of public interest. There was no end to the possibility of extending University teaching—everything which created interest could be brought within the field of study." I have purposely quoted Professor Chapman in order to convince the orthodox section of the governing bodies of our Indian Universities, men who are still old fashioned and seem to think that University education is complete when the student has passed his final examination in what is called "Humanities." It cannot be that while the world of thought and science, as much of commerce and industry, is progressing that these seats of learning should stand fast by their old ideals and refuse to accept side by side newer ones which have revolutionised, and are still revolutionising the world. So to stand still is to confess their own inability to march with the march of times. Indeed that University is not worth its name which will stand fast by where it was a hundred or fifty years ago, while the world is progressing in all branches of human knowledge with the speed of the railway if not electricity. Well also has Professor Ashley said in his recent paper,

that "business men complain that it is difficult to get men who can take responsibility or who can show originality, without stopping to reflect that, as things are, the experience through which a young man commonly has to pass for years after he enters a business is such as to deaden any originality he may possess. It is the part of Faculties of Commerce to contract the tendency by the vigour and suggestiveness of their intellectual discipline. I am becoming more and more convinced that a capital defect of our general economic literature is that we have not yet taken the trouble, paradoxical, as it may seem to say so, to enter into the business man's point of view. We content ourselves with a vague recognition of self-interest and competition and yet, with quite unnecessary shame-facedness, we will not look long enough and steadily enough at what these words mean in actual affairs. The consequence is that we have most elaborate treatises on the life and labour of a people which, with all their interest, often seem like clouds floating in mid air because the phenomena they describe are divorced from that which so largely creates and governs them—the policy of the *entropeneur*. A scientific Business Economics will certainly be of utmost service in social legislation and private philanthropy." It is impossible to deny the value of these highly thoughtful and weightly observations.

GOVERNMENT AND ENLIGHTENED PRIVATE MUNIFICENCE.

Gentlemen, I hope I have made it quite plain to you from the foregoing remarks that this subject of the

study of the Science of Commerce and Business Economics can no longer be excluded from our Universities. I have quoted the opinion of more than one eminent authority, greatly interested in and actually engaged in teaching the subject, to prove conclusively how important it is for the amelioration of the economic condition of the country, that the State should become fully alive to its responsibility in this matter, and that our Universities should bestir themselves to establish the needed Faculty of Commerce. I cannot say that I have treated the subject exhaustively. Indeed that is not possible in the compass of a single paper. I have only cursorily endeavoured to present the briefest of brief outline of the subject with the object of stimulating discussion thereon, fully convinced that sooner or later the subjects must engage the attention of the University authorities. The time is ripe and the institution of the Faculty of Commerce in our different Universities can no longer be indefinitely delayed. I have advisedly refrained from entering into the practical details of organisation of the Faculty. Those could be formulated, in due course when the Univeristies have taken the first broad step of recognising such a Faculty. Of course situated as the Government of India is, financially it is not possible to except it to do much beyond establishing Professorships on a liberal scale in its various colleges. In this matter private philanthropy should substantially come to the aid of our Universities and that in a spirit of enlightened munificence, for it need hardly be said that many lakhs will be necessary in order to place these several chairs in a state of the highest scientific efficiency. It has now been universally recognised that Higher Learning with all its

branches is best promoted by private enterprise of a most generous character. If each Indian University could find its own Owen, Rylands, Samson or Carnegie, there could be no two opinions on the beneficient effects which such munificent benefactions may produce all over the country. Meanwhile it is a matter of some satisfaction to notice the first elementary or tentative step which our Governor, Sir George Sydenham Clarke, has taken to institute a school of commerce where lectures of a scientific character on the subject might be delivered. It is a statesmanlike measure which our men of commerce and industry in the Presidency should hail with feelings of gratitude. It is a happy augury of what great good may be expected from one whose great mental grasp, administrative ability and deep sympathy with all that appertains to the better welfare of the people of this Presidency have been generally recognised.

CONCLUSION.

Gentlemen of the Graduates' Association, I have now come to the end of my parable. I began with the observation that I shall consider myself amply rewarded if this paper leads to fruitful discussion and eventually to the realisation of the proposal advocated therein, namely, the institution of a Faculty of the Science of Commerce by our University. But whether such a Façulty is or is not established, though I have a kind of presentment that it will be established—it is to be devoutly hoped that Indians will strive to study and firmly grasp the first principles of the History of Economics and Economic Science as now understood and taught by the great Universities of Europe and the United States. I am sure that such a study will not go in vain. Indeed,

in whatever sphere it may be their lot to work, when launched on the world of busy life, they will find it of the utmost practical value. In their daily life they will meet at every turn with questions which will become more or less intelligible to them in the degree that they have mastered this all-embracing subject. Its utility will appeal to their mind more and more as they grow older in experience and wisdom and become better alive to their duties and responsibilities as citizens of this great country. Truly did the late Monsieur Laveley, the distinguished Belgian economist, observe that no advantage can be gained from the lessons which Geography and History offer without the aid of economic science. "At the present day it is allowed that the most important part of History is that which traces the progress of humanity in comfort and liberty. To understand this advance from prehistoric barbarism to the prodigious developments of wealth which makes our own epoch, a knowledge of economy is indispensable. * * Need more be urged to prove the necessity of spreading economic knowledge? The greater part of the evils from which societies suffer spring from their ignorance of the subject. National rivalries, restrictions on trade, wars of tariffs, improvidence of the labouring classes, antagonism between workmen and employers, over-speculation, ill-directed charity, excessive and ill-assessed taxes, unproductive expenditure on the part of nations or towns are all so many causes of misery springing from economic errors." The value of these sage and practical observations it is to be earnestly hoped our countrymen will firmly bear in mind.

India has now awakened and become fully alive to her own higher destiny from all points of view, moral and

material. Already important and useful organisations, which assemble during a year in every part of the country for the discussion, in a constitutional manner, of a variety of problems affecting the country's welfare, are increasing in number and force. Such orderly and well conducted organisations are in themselves unerring signs and happy augury of that awakening. Much, of course, will depend on the efforts of these organisations, largely consisting of men of enlightenment and culture, to realise their respective aspirations. Patience, perseverance, earnestness and enthusiasm, coupled with sobriety of thought and practical wisdom are essential. But Education is the great fulcrum on which they must all rest in the first instance. As far as commerce and industry are concerned what is at present imperatively demanded is that students at our colleges should be thoroughly well grounded in that higher scientific education which is now so well recognised in the modern universities of the West. There is nothing to deter Indian Universities from following in their wake. It was Mr. Gladstone who observed that "the work of the University as such *cover the whole field of knowledge, human and divine, it must store up in its own treasure-house the spoils of every new venture in the domain of mental enterprise. It has to methodise, perpetuate and apply all existing knowledge to adopt and take up into itself every new branch.*" Remembering this perfectly sage observation as to what a University should be remembering that India at this juncture is on the threshold of her new industrial evolution, and remembering also that her future greatness and prosperity will largely depend on the successful progress of this new development, may we not appeal to our distinguished Vice-

Chancellor, before he lays down his high and honourable office, to make the annals of our University memorable for many a generation to come by opening its portals wider and instituting such a Faculty as has been suggested to-day which in course of time shall achieve those beneficent results which have already so happily attended the great Universities of the West.

STRAY THOUGHTS

ON THE

STUDY OF ECONOMICS.

[*The following is the full text of a Lecture delivered by Mr. D. E. Wacha at Fergusson College, March 31, 1906.*]

INTRODUCTION.

Standing before you to-day I cannot help recalling to my mind that happy time when like you I was a student at College and equipping myself for the duties and responsibilities awaiting that active life which springs at the heel of the academic. It also reminds me of the debt of life-long gratitude which I owe to my professors for the training I received at their hands and for the bent they gave to my youthful mind. It is superfluous to state that that training has had its most beneficent influence on me through all these years of my busy life. If I momentarily refer to it in this place it is not without reason. It is the fashion of the day to denounce the teaching at our Indian Colleges as being unpractical and not qualifying those attending them for the daily business of life. But experience tells me that such a denunciation is almost wholly unfounded. I am of opinion that the broad and solid foundation which is laid for the student by all the great seats of Higher Learning, mediæval or modern, be they in Europe or India, in the

so-called unchanging East or the ever-whirling West, is of the highest practical value in his daily life. It enables him to analyse the complex phenomena which he witnesses all around him—political and social, intellectual and moral, commercial and industrial,—better every way than he who has had not the benefit of University education. It enables him to reduce to first principles those phenomena, and thoroughly comprehend their true significance. It may be that all have not equal opportunities in life. But, given those opportunities, it would be rash to deny that your practical man with his collegiate culture is every way better qualified to judge of the phenomena referred to than the one who unfortunately has not. Of course, as in every other human action so in this, there are exceptions to this general rule.

BACKWARDNESS OF INDIAN UNIVERSITIES IN ECONOMICS.

Taking, however, the phenomena as they present themselves to our view, it will be readily perceived that underlying them all is economics in the larger and broader sense of the term. The study of economics, therefore, is of paramount importance. It is, however, a matter of regret that Indian Universities and Colleges are extremely backward in the teaching of this great subject which dominates, if closely searched, all human action and pervades the whole domain of human ethics. Indeed economics and ethics go side by side. They are inseparable. As Monsieur Lavelye has properly observed the good, the end of ethics, and the useful, the end of political economy, without being confounded, are inseparable, for the pursuit of the good is always

favourable to the production of the useful." But the object of this paper is not to inflict on you any abstract essay on political economy and ethics. On the contrary, my purpose is purely practical. So that without pretending to lay claim as a trained or scientific economist, I wish to draw your particular attention to the study of economic questions whether they be on agriculture and labour, on the distribution of products on their market prices and the rise and fall in them, on exchange of commodities which go by the familiar terms of imports and exports, on currency, its appreciation and depreciation, on banking, insurance in all its branches, on freight, communication and navigation, and many other topics which enter into the daily life of a commercial, industrial or agricultural people. On all these and cognate questions, Indians are far behind. Though thousands follow industrial and commercial pursuits, those who could comprehend their respective mechanism, analyse the component elements and resolve them into their fundamental parts, are few and far between. It is here that the greatest deficiency is to be noticed.

DEFICIENCY OF ECONOMICS AMONG INDIAN PUBLICISTS.

Take up any leading magazine or newspaper edited by an Indian. How rarely you will see treated there the several economic questions which have been just referred to. From time to time public organisations, like the European Chambers of Commerce, or the Imperial Government issue papers treating on these subjects. But how many are there among our publicists who are trained in economics and, therefore, able to follow the facts or the reasoning or both which may be embodied therein and offer well-informed and intelligent

criticism thereon? Indeed just now there is the Imperial Budget for the current official year. The introduction by the Finance Minister is as usual replete with interesting information about a dozen and more economic problems with which that official has to grapple. But the monographs oftener than not abound in economic fallacies also. How many of our Indian publicists intelligently follow the annual budget and endeavour to offer enlightened criticism thereon, and expose the fallacies underlying the Ministerial statements or his figures?

SOME STRIKING INSTANCES OF ABSENCE OF ECONOMIC CRITICISM.

Twelve years ago the Government closed the mints against the coinage of private silver, and, later on, decreed that the Rupee shall be divorced from its bullion value, thereby depreciating it at a stroke, and inflicting the greatest injury on the possessors of silver, the producers and the manufacturers. But how many were the Indians, who, in the first place, clearly comprehended the significance of that currency revolution, and how many, having comprehended it, were able to discuss the matter in a critical spirit in the public prints? The mischief was perpetuated; but for want of the necessary grasp of the first principles of currency, very few indeed, a handful alone, were able to enter an emphatic protest against or submit memorials on the ill-conceived and mischievous measure? Was there even a hundredth part of that persistent agitation which is prevailing in Bengal those many months past on the partition question? No doubt the agitation is perfectly

justifiable and there is not a word to be said about it. But contrast the energy, the persistence, and the perseverance with which it is carried on with the almost total want of energy, persistence, and perseverance which was displayed on the question of the closure of the mints. Were the reasons urged by the Government of the day for its justification critically examined? Can it be averred even by the most ardent and patriotic gentlemen of Bengal that the incalculable injury which that measure entailed on the whole country is at all comparable to the hardship entailed by the ill-advised partition? The partition affects only 7 out of 23 crores of the population of British India; but the closure of the mints and the economic revolution which disastrously followed in its train affected all the 23 crores. Now, if, at the time that this revolution took place, had there been amongst the Indians in each province a band of qualified persons, well versed in currency, is there the least doubt that a strong and most well-founded agitation could have been legitimately carried on with, perhaps, a change in the policy of the Imperial Government? Low exchange was the ostensible reason assigned for the foreclosure; and next, the redundancy of rupees. But the first reason was disproved, when the cotton duties came to be imposed in 1894, by only one public organisation in the country. It was demonstrated to the hilt that it was the extravagant military expenditure, and not exchange, which had been the fundamental cause of the financial embarrassments of the Government. It was also proved that even with exchange at thirteen pence, combined with the growing military expenditure, the Government could have met in rupees its sterling obligations. It was also proved by statistics that the cry of the Services

for exchange compensation, on the ground of the costliness of family remittances in sterling, was hollow; for gold had so far appreciated as to increase its purchasing power. This ability to buy a larger number of commodities with fewer counters was fully pointed out. It was demonstrated to conclusion how the families of Civil Servants, Military Officers, and others in Government employ, were able to buy in England all articles of domestic consumption, specially wheat, tea, sugar and so on, at a cheaper price which was computed to be 40 per cent. below that which prevailed before. It is notorious how oppressive at first was this burden of the exchange compensation on the tax-payer of this country. Though its weight is diminished at present by reason of the improvement in the value of silver, it still entails on the Indian finances a needless burden of 50 to 75 lakhs per annum which might be profitably employed on irrigation and education which are yet miserably starved.

Then, as to the other plea; namely, the redundancy of the Rupee coinage, it had to be acknowledged by Sir Edward Law in his budget statement of 1902 that it was unproven. Under the so-called pretext of redundancy no fresh coinage of Rupees to any material extent was taken on hand by the Indian Government, for seven years, say, from 1893 to 1900: but in the last named year, 13.27 crore of Rupees were coined, owing to the clamour, perfectly justifiable, raised by the banking and trading communities; European and Indian alike, against the exceedingly artificial stringency of the current coins wrought by the measure of 26th June 1893. Sir Edward was constrained to acknowledge the hollowness of the original plea of redundancy which was urged for the closing of the mints. And now in the budget

for 1906-07, published last week, the Finance Minister frankly informs the public that 50·98 crore of Rupees have been coined since 1900-01. Not only the fact disproves the theory of redundancy but tells us that for the growing wants of the population and the expanding commerce and industries of the country it is necessary to coin 7 to 8 crore of Rupees per annum. But, it may be observed in passing, that it is not only the Indian Government which tardily found its error in refraining from the coinage of Rupees in order to give greater effect, as it fondly imagined, to the circulation of gold in the country. The Government of Germany was similarly compelled to submit to the economic necessity, persistently ignored by it since 1873, when it demonetised silver, of coining millions of thalers in 1899, and continuing to do so from year to year to meet the larger wants of the country.

These two striking illustrations ought to suffice to demonstrate my point, namely, how grievously the Indian Government had erred in closing the mints against the private coinage of silver and how disastrous its effects had been on the producers and manufacturers. And though the greater appreciation of silver has considerably diminished the mischief, it would be inaccurate to say that it has completely disappeared. But notwithstanding the fact that the country has been slowly recovering from those effects, it cannot be denied that during the process of adjustment which necessarily followed the currency revolution, heavy losses had been suffered by thousands of private individuals. To my mind it is clear that had there been at the time in the Indian organs of public opinion a volume of well-informed and well-reasoned criticism on the fatal currency

policy of the Indian Government, the mischief might have been greatly averted. The people suffered because of the want of that necessary knowledge which was required to bring sufficient influence on the deliberations of Government to abandon or modify its currency policy.

SUGAR LEGISLATION.

After the two illustrations just given it might be considered superfluous to place before you any more; but the recent Budget gives a fresh instance which irresistibly impels me that I should animadvert on it. The Finance Minister has discoursed on the extremely disappointing results of the legislation on the sugar dutels. Those duties, as some of you may be aware, were in their nature "countervailing," that is to say, they were imposed in order to counteract the supposed adverse influence of cheaper foreign sugar on prices of home-made sugar. Seven years' operation of those duties has now convinced the present Finance Minister that "the practical results have been of the most slender description." This is virtually an acknowledgment of the dismal failure of the sugar legislation originated by Lord Curzon. On this piece of legislation, too, I cannot help remarking there was to be noticed a sad wapt of accurate grasp of the economics of the sugar trade and of the knowledge of the condition of the indigenous industry. It was not surprising if it emboldened the Government of India to rush the Bill through the Viceregal Legislative Council, and at the same time make a brave show before the public that it was going to help the revival of a great native industry

which was dying or decaying. Only one far-sighted non-official Indian member in that Council raised his strident voice against the plea urged for the imposition of the duties, but of course, it was a voice in the wilderness. The voice was no other than that of the versatile Sir P. M. Mehta. But outside the Council Hall, so far as my knowledge extends, the Indians of light and leading who were able to expose thoroughly the hollowness of the pleas urged by Government, and the utter futility of the revival of the country industry or of the worthlessness of the protective legislation, could be counted on one's fingers. Worse still was that lamentable spectacle of gross ignorance of the subject displayed by almost all the leading organs of Indian public opinion. Wholly unaware of the facts in connection with the steady decline of the country sugar industry and the trend of the Mauritius trade, which for years together was principally instrumental in killing it inch by inch during half a century, there was an exultation that an economic saviour had come in the person of Lord Curzon to revive the industries of the land! So in their blind ignorance they shouted applause and fully supported the legislation, utterly unconscious that in so doing they were in no way helping the home industry but actually assisting the powerful and interested agitation of a small colony of Mauritius sugar monopolists, backed up by the might of the Colonial Minister, no other than Mr. Joseph Chamberlain. It was the Mauritius sugar planters who had been greatly alarmed at the giant strides made in the exports to India of beet sugar by Austria and Germany. These saw in that economic phenomenon the injury to their own trade. The Colonial Minister was, therefore, appealed to

exert his potential influence on the Secretary of State for India in order to kill the new competition and continue to secure to them the undivided monopoly of the Indian sugar trade. The Indian Government was then presided over by Lord Elgin as Viceroy and Governor-General. A solid Free-trader he immediately set about inquiring into the facts and ascertaining how far the Austrian and German sugar was competing with the indigenous product. The investigation placed it beyond doubt that there was no competition whatever. On the contrary, there was a healthy demand for a larger consumption which there was no need whatever to interfere with. So the Despatch went home declining to arrest the imports of the Continental sugar. But Lord Elgin was soon succeeded by Lord Curzon who belonged to Mr. Chamberlain's party whose policy, of late years, it is notorious, is to promote the interests of the classes at the expense of the masses. And lo! the very first important piece of fiscal legislation which was passed within four months of Lord Curzon's arrival in the country was this one on the countervailing sugar duties! Lord Curzon meekly obeyed the Chamberlain Mandate, and in the bargain threw dust in the public eyes by pretending to say he was supporting the indigenous sugar industry against the unhealthy competition of the Continentals when he was really backing up the Mauritions. What his predecessor after mature investigation had stoutly resisted to do, was, under his own Viceroyalty, an accomplished fact. But the bitter truth began to dawn on the Indian mind some months later when at last the Indian publicists saw through the hallowness of the whole affair, notably after the publication of the Blue Book on the subject.

Too late in the day they sat on the stool of repentance and covered themselves with ashes. The mischief was done.

OFFICIAL ACCUSATION AS TO IGNORANT CRITICISM.

From the three illustrations—striking illustrations—given above, it will be plain to you all how vastly important is it for the educated classes of India to be thoroughly conversant with statistics and economics and to be fully competent to scent from afar the mischief, sometimes of an irreparable character, which might flow from fiscal legislation of the nature pointed out. It is also important to refute the official accusation now laid at the door of the educated classes and their trusted organs of opinion that they are incapable of offering sound and well-informed criticism on economic subjects, of vital interests to the country at large. It is not surprising that at present this great deficiency among our countrymen is taken advantage of by the governing authorities who pose in the country as so many infallible popes on matters fiscal. In no respect is the armoury of Indian agitation so feeble as in economics. The authorities consider Indian opinion thereon as negligible, and boldly go forward in placing such legislation as they please on the fiscal statute-book. If Indians are to be true to themselves, they ought to arrest betimes this growing tendency on the part of the Government by thoroughly educating themselves on all economic topics vitally affecting their interests and offering enlightened and well reasoned criticism on fiscal matters whenever brought on the legislative anvil or promulgated by executive edicts. There cannot be any

doubt that the logic of facts and reasoning must ultimately prevail and prevent mischievous fiscal legislation.

OUR PARAMOUNT DUTY.

It will be asked at this stage what may be the proper means to bring about so desirable an object. The query is pertinent and brings me to the main object of the paper. After all, you, who are the students of to-day, will be the citizens of to-morrow. In your post-graduate career each one of you will, of course, betake yourself to such pursuit,—professional, industrial, mercantile, or any other—as may best suit for mental and social environments. More or less most of you, if not all, will remain absorbed in the career which you may choose for your life, soon after you have graduated at the University. But to whatever line you may betake yourself, you are to remember that you have duties and responsibilities to discharge. You doff your academic gown in order to don the *toga virilis* which reminds you that you are a citizen of the State first, and everything else afterwards. In a country situated as India, with an alien Government, it is your paramount duty to assist the administration so as to enable it to render greater good to its people. This is a duty which you should never forget. It is one which you owe to the land of your birth as much as to the State. To ignore it is to commit a dereliction of that duty.

NEED OF "INTELLECTUAL INTERESTS."

Under the circumstances it should be part of your post-graduate career to gain practical knowledge of the affairs of State. With the aid of the liberal education

received at your College you ought to be able to take an "intellectual interest" not only in the particular avocation you may be engaged but in all acts of the State, so far as possible. This interest, however, I am sorry to say, is greatly neglected. Indifference to it becomes the parent of evil from which we suffer and afterwards complain. This intellectual interest should, therefore, be sedulously cultivated. One may display that interest in his own line and another in his. But each ought to be able to enlist his sympathy in the special subject before him for the time. Unless there is laid that solid foundation at the college, for the exercise of such intellectual interest it may not be practicable to achieve that good in active life to which I have just referred.

UNIVERSITIES SHOULD STIMULATE THE STUDY OF ECONOMICS.

I am, therefore, strongly of conviction that the study of economics, which is paramount all over the civilised world, should be better fostered and stimulated at various centres of Higher Learning in India than has been the case hitherto. Those responsible for the training and culture of the scholars attending the colleges ought to deem it their duty to inspire students with enthusiasm on this subject and dispel those prejudices which still seem to prevail, even in civilised West about the "dismal science." For such instruction the most competent men are needed, men who could expound both the theory and practice of economics. The promoters of your self-supporting college, which has produced such distinguished men as Messrs. Gokhale and Paranjpye, besides many others, should aim at the

acquisition of such a specialist. I admit that for the fulfilment of the object a large expenditure is essential; but the Board should strenuously strive to attain it if the youth of the Deccan are to be grounded in economics in order to be better able in the future to enter on the great industrial struggle which alone must prove the material salvation of the country.

THE IDEAL TO BE PURSUED.

My own ideal is to secure the services of one who was well versed in economics and has had some practical experience besides as a merchant or a banker. He should be qualified enough to expound the mechanism of money and exchange, the intricacies of banking and currency, the significance of imports and exports and of the balance of trade, the true meaning of debtor and creditor country, the puzzles of fire and marine insurance, the practical working of life insurance and endowments and old age pensions, of railway and sea freight, of canal irrigation and navigation, of trusts and monopolies, of harbours and docks, of tolls and octroi, of municipalisation of gas, water-works, tramways, and other great civic works, commercial value of science as applied to industries and manufactures, of mining, of patents and inventions, in short of all those matters which enter into the daily economy of every civilized and well-organised society. It is, of course, an ideal. But it is an ideal for which your college should strenuously strive, so as to be able eventually to secure an expert of the qualifications suggested. You could at least lay the foundation on which in after years might be reared the edifice which shall be a permanent memorial of your practical sagacity. You could then

really take a deep and abiding interest in the study of economics than which, in my opinion, there is not a more fascinating and instructive science in the whole domain of human knowledge. Step by step alone it is needful to attain that end. But, I repeat, with all the emphasis which my own conviction prompts me, that it is this ideal which all Indian Colleges should persistently endeavour to hold before them. For it is through the practice of this ideal alone that we will be able to revolutionise side by side with capital, enterprise, and high technological instruction, the industrial and commercial spirit of India on the lines of the strenuous West and reach the destined goal. Capital may come, enterprise and public spirit may be there; but unless you have men also who will grasp the true meaning of practical economics a great deal of energy and resources are certain to be wasted. To pursue highly scientific industries and manufactures you must first produce the material. But the material of the right sort will never be forthcoming till our Universities and Colleges rise equal to the occasion and realise the glorious gains which generations yet unborn or now growing into manhood may garner. We can only sow the seed. But it was time the seed was sown and allowed to germinate as fully and freely as may be compatible with our existing conditions and circumstances.

RECENT NATIONAL AWAKENING.

Of late, a great deal has been said and written all over the Indian continent on the importance of promoting Swadeshism. We have all awakened ourselves to discover that in point of industries and manufactures which are the essentials of the prosperity of a people in any part of the world, we are a century behind

the more persevering, active and utilitarian nations of the West. We have read and noticed how even among the latter there were some who thirty years ago were far behind in the industrial race, but who have advanced to-day and gone ahead in some respects of their neighbours. Take the instance of Germany alone: Consider what its economic situation was in 1870, soon after the date of the Franco-Prussian war. Consider what its population then was and what it is to-day. What strides, again, have the Germans made in industries, aided by science and arts, and how in certain trades they have left even Great Britain behind. Take the industry of coal products alone—those products from which the practical man of science has been able to educe the alizarine and aniline dyes of the world's commerce. Ask yourself the reason why Germany has been able to cripple almost the old English trade in those artificial colours which were before exported to the value of over 4½ millions sterling. Ask why the British men of trades and industries are sore at German competition in India. Why is there such a prejudice to commodities stamped with the words "made in Germany"? Or go to Belgium and enquire how is it that as far as steel is concerned it has outstripped Great Britain in production and shot ahead of its exports of that commodity to India? The answer to all these queries is plain. It is the practical application of science which has advanced the industrial progress of a country like Germany which only a generation ago was known to be extremely poor. Take, again, the case of Italy whose economic conditions only a few short years since were in many respects identical with those of your own. What is it, ask again, which has wrought

such a material improvement in the industrial condition of Italy? Study the Industrial history, again, of the United States. Ask what is it that has led to the enormous exports of merchandise abroad, after retaining all that was necessary for home consumption, whereby each unit of the population there is credited to-day with 17.87 dollars per annum against 10.83 dollars a generation ago; why is it that the consumption at home of cotton alone has gone up from 14·10 lbs. *per capita* in 1871 to 25.28 lbs. last year, not to say aught of wheat, corn and meat, and other articles? How is it that on cotton goods a capital of 457 million dollars was available against 219 millions a quarter of century ago? Or to go a step still further to impress on you the colossal progress of manufactures and industries in that country, inquire, why is it that in 1900 the total capital invested in these was 9,846 millions dollars against 2,790 millions in 1880! Look again at the growth in the number of wage earners alone in these manufactures, namely 53 millions against 27 millions. And what was the value of the materials used in their manufactures? 7,360 millions dollars against 3,396! Go to Japan and inquire again of the vast growth that country of the Farther East has displayed in industries and manufactures during a generation? There is, I venture to say, only one answer to these several queries. It is the application of science to the practical arts of life. Go deep into the root of the matter and you must irresistibly discover that nowhere has there been any royal road to the material prosperity of a country. Economic education, capital and science have worked wonders. Science, economics, and capital, have been in happy and active co-ordination in the Western world

for a hundred years past. The invention of steam, of course, led the way and the rest followed. Thus India must strive to attain the same harmonious co-ordination. The road which has led to such material success in the West, undreamt of in the philosophy of the centuries previous to the Nineteenth, must be its road also. There is no other. Swadeshism can only find its happy culmination when these three fundamental essentials are in active force side by side. But I need not further dwell on the importance of the subject. In this paper I deliberately confine myself to the study of economics which you could safely pursue in the leisure hours of your own home and try to be fairly conversant with it so as to be able to impart it to others, and thus in a way endeavour to discharge your duty as citizens. Your united labours in the field of economics ought to prove invaluable as time progresses. Do not think that the leisure, however small, bestowed on the study of it will be wasted or misspent. On the contrary, I am sure the more you delve deeper into the mine the richer will be your possession which by-and-bye will be of the highest value to your country. As I stated at the outset economics pervade the whole domain of human activity. It may sound a platitude to say so. It may be said that there is nothing new in this utterance. I fully admit it. I lay no claim to originality. All the same I feel that at this juncture in our onward progress in matters industrial a repetition of the common-place is indispensable. It is essential that this study ought to be emphasised and popularised. Without such study there is no hope of improving yourselves materially and educing that prosperity which is the happy lot of the Western people and even of Japan.

PRESENT INDUSTRIAL SITUATION.

I repeat India suffers at present from a variety of causes. Leaving the political reasons alone, I may say that it also suffers because of that want of advancement in practical arts and sciences which is the privilege of the most prominent industrial nations. In this respect it is behind them by a century at least. We have to make up that time as best we may. To still further lag behind would be to render irreparable injury to ourselves. We can no longer delay it. At present there is not a single factory where you can make a decent boiler or engine, and yet without this prime mover it is hopeless that you can make any material progress in any important and remunerative branch of industry. The century is the century of steam and electricity. You have now in the country as many as two hundred factories for the manufacture of cotton goods; but will any one inform me that even one of these concerns can boast of a good boiler or an engine which has been completely made in India? Can any one aver that a single spinning frame or a power-loom has yet been constructed in the country which is at work! We are talking of the sugar industry. But have we been able to make ourselves any of those scientific appliances which are so needful for the refining of the raw product? Is there an up-to date refining factory in the whole country—Swadeshi so to say from top to bottom—to which we can point with pride? Even Java, which is a Dutch colony and supposed to be inferior in many respects, therefore, to British civilisation, has outstripped us. It has been exporting to this country for the last two years and more a quantity of refined sugar at which even Mauritius has taken alarm and well it may, seeing that Java has poured in

this saccharine product in two years which Mauritius has taken at least forty to do by constant nursing and by the indispensable assistance of Indian coolies. Take again the iron industry. But for the patriotic enterprise of the late Mr. Tata, so faithfully continued by his good sons, an enterprise which is still at the stage of initial activity, even here you might have still been without a beginning. So with scores of other industries demanding the aid of chemistry, electricity and steam. When you calmly survey the whole industrial field now existing, consider the many native raw products which are still exported abroad to return to a larger or smaller extent back to this country by way of manufactured commodities, oils and leather for example, and come finally to take a measure of your deficiencies, you are sure to discover at once the gaping chasm between you and the industrial West—a tremendous space which you will have to travel before you could be said to be in a line with it or able to enter on a most successful competition, other things being equal. But it goes without saying that for such a survey you have to study economics. You may have by-and-bye many industries, many scientific appliances, many other things which contribute towards your industrial regeneration. But even when these are forthcoming you can never do without economics. I deem its study fundamental—a preliminary to all other progress. If you are really to discharge your duty as citizens and patriots you should make yourselves conversant with it for two purposes; firstly, to help those who with the aid of the specifical knowledge you could impart may be pursuing commerce and industries; and secondly you will assist the country generally in acquiring a sounder knowledge of its wants and require-

ments. Indirectly, you would by your sound criticism prevent the State from introducing into the country fiscal changes which may be highly prejudicial to its interests.

ECONOMICS AND LEGISLATION.

But in this matter, as in every other, division of labour is essential. Some of you, when you have left your *alma mater*, will be inclined to become practical farmers. In that case what could be better than to acquire side by side with your farming experience, a knowledge of agricultural economics, the conditions of soil, how to improve it by manure, how to sow seeds, how to nurture and cultivate them; in short all those matters which taken together may eventually contribute to the production of two blades of corn or more where now grows one. You have to seek far and wide for this scientific knowledge of agriculture for all practical purposes. You may try to collect all information touching high farming from the West. For it is only by an application of such knowledge to the practical that you could ever hope to improve the soil. Improvement of soil in reality means increased products which in turn signify greater wealth. More, the very fact of your being engaged in agricultural pursuit ought to make you fairly acquainted with the land legislation of the country. A knowledge of it would enable you to discover how far such legislation is harmful or advantageous. If harmful, you will be further able to point out to the State with your acquired knowledge in agriculture how the injury could be removed. Here economics will eventually enter into the demain of legislation, that is politics. But the great experts in economic science teach you that polit s have

an important influence on economics. Good laws are beneficial to human economy, of which agriculture is the greatest, as bad laws are mischievous. It will be thus seen how much economics have to do with legislation. Hence it is that Mon. Lavelye has further observed in his great work that "almost all the economic questions that come under discussion are questions of legislation."

PROGRESS IS THE LAW OF LIFE.

But I now return to my original point. Whether you wish to become a well-informed and practical agriculturist or farmer, intent on increasing the product of your soil, or whether you propose to pursue the avocation of the banker, the merchant, the manufacturer, the trader, or one of the professions, or even become a Mamlatdar, a Deputy Collector or a Subordinate Judge, in whatever walk of life you wish to be, it is necessary that you take an "intellectual interest" in your work as Lord Goschen has admirably said. It is superfluous for me to point out to you the vast difference that lies between doing our work in a routine or mechanical manner and in an intellectual way. It is only when that spirit of intellectual interest is kept alive that progress and prosperity are possible. Progress is the law of life, as much as stagnation is its negation. In this age of intense utilitarianism, supported by science, it is hopeless to expect that this country could progress satisfactorily in the way we are all so anxious to see till each educated unit of the land takes intellectual interest in his specific work. The policy of drift or *laissez faire* which unfortunately has hitherto been the great bane of our people will not do. Swadeshism ought not to tolerate it

I have only given agriculture as an instance of what might be done in other walks of life, say, in banking, in currency, in cotton and woollen manufactures, in sugar refining, in mining industries, and in a hundred other avocations, which to-day demand incessant attention and ceaseless energy for final success. Here, too, now and again the legislature has to be appealed to. The justice of many a question will have to be solved by the study of equity and their utility by the study of statistical and historical facts.

LORD GOSCHEN AND SIR ROBERT GRIFFEN.

In short you should each and all carry your study of economics at college into practical life and become thoroughly conversant with one branch of it or another, according to the bent of your mind, so as to become a useful citizen. One of you may become a banker. In that case you should add to your practice of banking the latest and most scientific theories on that complex but highly fascinating subject. To-morrow, the State may introduce some new ordinances on banking. It may legislate for currency and its circulation. If you are a practical banker and in your post-graduate life have kept yourself *au courant*, as I have just stated, with all the latest to be learned in banking and currency, you might be able to form an opinion on such State legislation and offer your sound criticism thereon. Suppose that a dozen men in each province thus offer criticism, how valuable it would be! How the country might be able to discern the real issue, what may be mischievous and what advantageous, and set on foot if need be, an agitation thereon. The opinions thus elicited could not be considered ill-informed or ill-founded. On the

contrary, they would command attention and respect. Even if the agitation fail, the country would be educated, and what a valuable aid such education would be in the armoury of the public. Indeed the potentialities of the course suggested, as I conceive, are so many and so numerous, that I cannot do better than impress on you all their importance with all the nerve and verve I have in me. Indeed I am the more emboldened to do so when I have as authority such a distinguished and eminent economist as Lord Goschen. I do not know whether any of you have read his collections of essays and addresses on Economic questions lately published. I have been a great admirer and follower of that peer and Ex-Chanceller of the Exchequer for many a year as I am of Sir Robert Giffen whose essays too, on trade and finance, I should strongly advise each and every one of you to study. Nowhere will you be able to derive a better practical knowledge of economics in all its ramifications than in the pages of these two classic publications. In this paper all that I have essayed is exhortation. I have exhorted you to take serious interest in the study of economics with which ethics is indissolubly bound up.

CONCLUDING REMARKS.

But I have refrained from even entering into their abstract principles as understood by the higher and complex civilisation of the day and as interpreted by living learned economists of the highest repute. I will, therefore, conclude this fragmentary paper, for it professes to be nothing more than a collection of stray thoughts strung together, by quoting the words of Lord Goschen himself: "It would be a national disaster if the sober, but surely not dismal science should be permanently discredited. If it has been banished, as has

been said, to a distant planet, let it now be recalled, if not to take up its old position of unquestioned sovereignty —the monopoly of authority—yet, at all events, let it be recalled to a wise counsellor of the ethical school." In India, immeasurably backward as we all are in a full and fair knowledge of the science of the economy of human life, nothing is more imperatively needed at present than specialists of the qualifications suggested for each important College and University, and next, the institution of Economic Associations with able secretaries well versed in practical economic topics to be able to deliver lectures from time to time and gather round in each province of the empire by-and-bye a band of the most ardent, earnest, and enthusiastic young men who, when fully trained in and equipped with economic lore, should, in their turn, be the great missionaries for the dissemination of the science among their less instructed countrymen. Side by side with the lectures there should also be started journals of modest pretensions, in which the best thoughts of the most distinguished practical economists of the world should be published and discussed, specially in reference to some of the most difficult and complicated problems of Indian economics. Thus, we might be able to awaken a keen interest in the rising graduates of our various Universities, and form the nucleus of a band of trained Indian economists. He will indeed be no mean a benefactor of his Presidency or Province who can make a good beginning in this direction, when the national sense is aroused to the possibilities and potentialities of that great industrial revolution which awaits the country during the twentieth century. A high duty will thus rest upon Associations of the character just suggested. It will be

their task "to assert" (in the words of Lord Goschen) for economics their true position in this country, "to show that economics are not non-ethical but ethical, to curb the rush of the impatient and the gush of the emotionalist, to expose the quackeries of impostors," and continue to be engaged in the most noble, scientific, economic work which may be possible. With these words I bring my stray thoughts to a close, in the earnest hope that in your own post-graduate life you will continue your intellectual energies unabated in the practical manner suggested, and that you will toil onward and onward fast in the mine of economic knowledge so as to bring to the surface gems richer than those which shine in royal crowns for the benefit of your country and your countrymen.

STATISTICAL AND ECONOMIC STUDY AMONG INDIANS.

[*The following is a reprint from the "Gujarati" of 30th October, 1910.*]

The reproach has not infrequently been laid at the door of Indians of light and leading that they are sadly deficient in statistical and economic knowledge, and, therefore, hardly helpful to their less enlightened countrymen, in the first instance, and, secondly, to the State on all important matters relating to Indian fiscal and economic problems. It must be ruefully acknowledged that the reproach is as well founded as it is just. Whenever such questions happen to be before the public for serious consideration, Indian criticism thereon, be it in the council chamber or in the press or in the public platform, is known to be more or less superficial and inadequately informed. Some of our open-minded, unbiassed and far-sighted countrymen have themselves admitted this lamentable lack of economic and statistical knowledge. Of course, it would be unjust to say that there are not scattered over the country some, to be counted on one's fingers, who, being excellently conversant with it, are able to offer public criticism which is heard with respect and attention. But those are exceptions only who emphasise the general verdict. It was high time, however, that with the vast strides which

Indians have made in many a direction, specially in the direction of broader and deeper spread of education, they would seriously strive to wipe off the reproach as to their lamentable lack of statistical and economic knowledge.

It is not the aim and object of this paper to dilate even briefly on the importance and value of statistics and economics. Indeed, at this time of the day, with all India awakened to the desirability of a thorough industrial regeneration on sound and sober lines, it would be a work of superogation to expatiate on the obvious benefits arising from a careful study of those branches of knowledge which have been so well recognised all the world over and have so vastly stimulated its utilitarian spirit during the past half a century and more.

As far as statistics are concerned, it may be sufficient if at this stage we invite the attention of Indians to one crystallised observation of Professor Marshall, the greatest living British authority on statistical and economic subjects of almost every day interest. He observes that "statistics are the straw out of which economists have to make the bricks." The statistician is the great purveyor who supplies the economist with the facts on which to build sound and sure his economic postulates and economic arguments, apart from fresh hypotheses and corrected or new theories. The economist mainly treats of phenomena relating to groups of facts, each group being a watertight compartment by itself. But he has to go to the statistician for his fundamental materials. Well does Mr. Bowley, the well-known statistician, say, that the economist "is dealing with national economy, with volume of trade, for instance, or the purchasing

power of money. He is limited to pure theory till statistics as the science of great numbers has produced the facts." Or let us take a case nearer home. There is the important question of high prices of food and commodities. We are all aware of the variety of theses put forward to account for the rise, but hitherto hardly any Indian economist has at first hand collated those facts on which to found a sound and reliable deduction. A variety of facts, grouped together, are fundamentally essential for the purpose. So far as our knowledge extends only one individual, Mr. Atkinson, of the Indian Civil Service, Accountant-General of the United Provinces, has taken the trouble with an amount of industry and ability which elicit our admiration, to collect together group after group of facts and discourse on the causes of prevailing high prices. We would refer the reader to his exceedingly interesting disquisition in the pages of the Journal of the Royal Statistical Society for October, 1908. He will learn there how in the first instance facts should be collected, facts irrefragible and facts indubitable, and, next, how they should be scientifically sifted and analysed, eliminating exceptional factors; and how on the resulting investigation the theory of high prices should be built. Anyhow that valuable paper will inform Indians what may be the statistical method they should employ when investigating economic phenomena.

After the observations of the two eminent experts just referred to, it is hardly necessary to dwell any longer on the abstract side of statistics. Let us come to the practical which is the principal object of this contribution. It is often asked how statistics should be studied. Now the

question, which is natural, may be very easily answered. There is no royal road to any kind of learning. The student thirsting for the acquisition of any branch of human knowledge must be prepared for a long journey to reach the ultimate goal. The path is chalked out for him. There is but one path, and he must follow it. The road may be long. It may be even difficult. But it is not one which, by patience, perseverance and endurance, could not be traversed. The student embarking on statistical studies must, in the first instance, possess the three qualities just referred to. Impatience and want of that necessary diligence and energy which are required for the purpose will never do. Next he must possess a strong will and a force of character to accomplish what he is keen on undertaking. Mere spasmodic or desultory study in such a matter is worse than useless. As in every other branch of learning, so in this, whatever has to be studied must be studied to perfection so as to gain a complete mastery over it. Mere smattering will be of no avail.

Unfortunately, we have found from experience that many a young student has a kind of instinctive aversion to the study of statistics. It is such a dry subject, at least he so conjures in his mind that he almost wholly shrinks from it. Now that is an attitude which no student should try to adopt. Every study at its commencement is difficult. All subjects do not, of course, appeal to us with equal interest. Some would affect history and biography and some mathematics. The former fancy the study of the latter as equivalent to the trouble of climbing the Alps or the Himalaya. It is nothing of the kind. Of course, there is a Rubicon in the path which has to be crossed. There is what the

mathematicians call "*pons asinorum.*" But he who has sufficient patience and perseverance and sufficient zeal and intellectual interest, will, as he begins to travel the road, find out that it is not so insurmountable as first imagined. Similarly, in the study of statistics, however it may appear dry, if not appalling at first, it will be found to be easy enough as one becomes pretty familiar with it. However dry as dust it may at first sight and on a superficial glance appear in reality it is the most fascinating of subjects. Not only is it fascinating but extremely instructive and full of the highest human interest. It is besides thoroughly utilitarian. There is not a single domain of our modern human activity which does not call for a study of statistics. Is it in relation to our own life, birth, marriage and death? Is it in reference to our infantile, adult and old age conditions? Is it in respect of our ordinary hygiene? Is it in reference to our education, our schools and colleges? Is it in reference to our citizenship, our self-government, our ship of state? Is it in reference to our keen struggle for existence in a variety of ways, agriculture, arts, crafts, larger industries and manufactures? Is it in reference to those very complex modern institutions of banking, currency, foreign exchanges, marine insurance, freight, navigation and so on? Indeed in all these and numberless other matters which contribute to our daily existence, the value of statistical study is absolutely indispensable. The capitalist has as much need of statistics as the wage-earner. The employer and the employed, the merchant and the banker, the trader and the manufacturer, the physician and the astronomer, the chemist and the electrician, the politician and the statesman, the man of letters and the

metaphysician, the evolutionist and the sociologist, the embryologist and the psychologist, each and all and others besides, even the genus—"the man in the street" —all have need in these days of enlightenment and progress, to know something of statistics. They all have to rely on it to educate themselves and get others educated.

Thus it will be perceived how all-embracing is the science or statistics and how far-reaching its influence on our every-day human activity. There can be no question of its glorious gains to humanity. What treasures, richer than gold or diamonds, does it offer to those who would work its inexhaustible mine? What marvels it discloses, sometimes almost astonishing and beyond our wildest imagination! And yet, sad to say, its study has been almost wholly neglected. But it is of no use lamenting over our deficiency in this respect in the past. What is past is irrevocable. Let us calmly survey the present and the future. Let us take a new departure, and with seriousness and alacrity begin a new page. We ought no longer to neglect this all-fascinating, all-enduring and exceedingly human study. To continue to neglect it will, in reality, be to sacrifice our own moral and material progress. It is not to be supposed that every one should possess a complete knowledge of statistics. It cannot be that each person who annually passes out of the portals of our colleges and universities, with his hall-mark, should pursue the study in his post-graduate life. Like every other study of modern sciences, there should be a few persons who could specialise it. In other words, if only a fraction of the most educated in each Presidency and Province were to betake themselves to it

as a special subject, we think, speaking modestly, we might witness in a few short years a great change for the better in the current of Indian thought, and feel the influence thereof in the press, in the council chamber, and on many a public platform. In this way we are sure we could wipe off the reproach which is presently laid, not unjustly, we repeat, at our door.

Now it may be observed that as far as the study of statistics from a practical point of view is concerned, there is to be found to-day quite a plethora of excellent literature, permanent and periodical, which has gone on accumulating with marvellous rapidity during the last fifty years. In Great Britain none has made the statistical study more popular and interesting than the late Sir Robert Giffen, that prince of statisticians. The Government itself has been vastly profited by the statistical department he inaugurated at the Board of Trade thirty years ago. His untiring interest and great ability and industry in this respect may also be noticed in those two admirable volumes called "Essays on Finance," edited by him which we should strongly commed to all Indian students. He was also a pillar of the Royal Statistical Society for many a year. Indeed that Society itself has laid not only Great Britain but the civilised world at large under a deep debt of gratitude by its continued efforts in accumulating a vast store of statistical knowledge on the most scientific basis. There is not the least doubt that it is the foremost institution of its kind in the world for the dissemination of statistics and of an all-embracing character. It has a record of its own incessant labours, thanks to a long succession of the ablest experts of whom it is

most proud. Numerous and weighty indeed have been the voluminous papers written and read before that Society by those distinguished statisticians whose names are familiar to Europe and the West. The quarterly journals of that most useful Society, published during the last fifty years, offer a rich mine of information to those who would care to quarry in it. Similarly, societies having the same or kindred object, have long since been established on the European continent and in the United States. These, too, have rendered and are rendering excellent service and enriching the world by their statistical information and research. To us it is a matter of profound regret, and here in India we have not a single society of this character. If there be any country where the need of such an institution may be really said to be a crying want, it is India. Even the Government itself was far behind the most backward Governments of the West till late. But in all fairness, it must be acknowledged that since the institution of a separate department of statistics and its recent reorganisation on a wider basis, the Indian Government has greatly made up for its past backwardness. Considerable progress has been made and improvements effected in the numerous statistical publications which are annually issued from the Government of India's Statistical Department. These publications are available to the public at a nominal price. Those are amply sufficient for a careful study by any student desirous of accumulating statistical knowledge and qualifying himself by and by as a fair expert, or at any rate a well-informed and accurate publicist.

Practically then, there is no lack of material or resources for the prosecution of this branch of

knowledge, and it is much to be wished that *pari passu* with the awakening of India on all matters affecting her interests, the study of statistics will no longer be neglected. As we have said before, it was high time that the reproach hurled at us in this respect was soon wiped off.

Coming to economics we need not discourse on the importance and advantage of its comprehensive study. Neither at this time of the day is it at all necessary to lay any stress on the subject. Economics in many respects goes hand in hand with statistics. Speaking from the practical point of view it may be observed that from the days of Adam Smith to our own, the study of economic topics has been fully recognized and insisted upon. It forms the curriculum in every college and university throughout the world. There is quite an Ossa of economic literature of a varied and instructive character. Our modern economists have brought it up-to-date and vie with each other in propounding the newer problems which the Utilitarianism of our times has brought to the surface. International trade, international politics, international labour and other leagues, newer methods of communication, especially railways, unknown to the generation of economists a hundred years ago and more, the telegraphs, the telephones, the Suez Canal itself, and a number of modern economic phenomena have led economists to ponder on them and expound their own respective theses. Those have undoubtedly broadened in a vast degree our economic vision, and since Lavelye, the great Belgian economist, has observed that economics enter minutely into the every-day life of our common humanity, it should form the equipment of every

educated and enlightened unit of our community. Unfortunately, in this respect too, Indians are far behind, though our colleges and universities teach the science in its elementary phases. The reproach in this matter is even more pronounced, and well it may. For just look what kind of indifferent criticism is offered whenever large fiscal and economic questions come to the fore. Not to go too far, take the last Financial Statement which wrought some alterations in taxation. How many even in the Viceregal Legislative Council were able to discuss the changes, with accurate information and a firm grasp of economic principles? And how many outside the Council Hall had any illuminating and educating criticism to offer? What was the sum and substance of the observations in the columns of our leading organs of Indian public opinion? Not that some well-informed and trenchant criticism did not appear. We should be doing a great injustice to those who in and out of the Council endeavoured to offer some well-reasoned and sober criticism on the crude alterations made in the existing taxation. But those who thus criticised were quite a handful. How many were able, again, to criticise the policy of the gigantic railway borrowings with the alarmingly large increase in the annual interest charge? How many probed to the bottom the details of gross railway earnings and working expenses and pointed out the flaws? Indeed how many were there to go minutely into the question of Indian railway finance as a whole to demonstrate that one principal reason of deficits in recent times was this depressing railway finance of the Government of India. To us it is a matter of the greatest disappointment, nay despair, that this

devouring monster of railway finance which unseen commits the greatest ravages in our annual revenues was hardly touched at all. Then take that octopus of military expenditure. True it is that some pertinent though superficial observations were offered, but there was hardly any serious attempt at tomahawking it in the right surgical way. Then take the enhanced silver duty. Even here no educated opinion, based on currency, was offered. Is it a wonder that the governing authorities had an easy time of it, and that they laughed in their sleeves at the incompetence of a large majority of Indians to deal with the question in the way it ought to have been dealt? Take again, the question of gold reserve? Who spoke with any deep knowledge of that economic phantasia of the Indian Government—a reserve built up at the expense of the tax-payers of India for the support of a selfish and shrieking microscopic minority of foreign traders? Letting alone these grave questions of public finance and currency as well their ethics, there is that burning question of the economic drain. Has there been noticed a single effectual criticism on this controversy on which so many, from the most exalted official to the latest imported greenhorn of yesterday, blissfully ignorant of the very A. B. C. of the problem, talk so glibly and airily? But how may it be controverted without a firm grasp of the economics involved in the controversy? Thus, it will be perceived in how many important directions the almost total lack of economic knowledge, handicaps and disables, the very best of us from answering the superficialists who talk fallaciously about the drain both here and in England. This then is the measure of the depth of our own neglect and ineptitude. What we mean to say here is that there is

no lack of enlightened Indians who with sufficient economic grasp, could prove to the hilt the reality of the economic drain. Only they have not studied the subject as it ought to be to enable them to clinch many a superficial and plausible fallacy in which officials, high and low, including the Secretary of State, indulge, and in the bargain unfairly reprobate our countrymen *as if the fact of the drain itself*, let alone its causes, *was not an absolute fact.* But it is of no use entering here on this controversy. We have only endeavoured to give an instance of that lack of economic knowledge which prevents Indians from treating economic phenomena in the only true and right way they should be treated, with a firm grasp of the first principles, and at the same time to hurl back the reprobation in the face of the reprobators.

What is wanted for a careful study of economics is a school for the purpose in every prominent capital of the empire. It is something that Swadeshism has aroused a faint interest in this study. Now, we are glad that what our excellent Viceroy calls "honest Swadeshism" had been slowly making its head in the country. Stripped of all exaggerations by its advocates, at the best precious little yet has been done in a practical way, though we recognise the fact that our industrialism cannot be built up in a day. It requires nursing. It requires first a broad and solid foundation whereon to raise the needed superstructure. No doubt a good deal of water has flowed under the Hooghly and the Ganges, the Indus and the Jamna, the Nerbudda and the Taptee, the Godavery and the Krishna, since India unfurled the standard of Swadeshism and held it aloft in the land, but it must be ruefully observed that very little or no progress has yet

been made with the proper study of Economics which is essential to promote that Swadeshism for all practical purposes. Who will deny that for the future well-being of our national prosperity the study of economics is of priceless value? Is it not our paramount duty to wake up in this respect, if we are to succeed in the keen competitive race now going forward in the world in arts and industries, manufactures and commerce, in fact in all matters which contribute to the larger production of wealth? The universal recognition and keen prosecution of economic studies in all the civilised countries of the West is, we need not say, the most gratifying feature of our busy age and the most hopeful sign of the better welfare of the human race in the future. We earnestly put it to our countrymen whether they are to stand aside while the human race is progressing? Are they ever to be hewers of wood and drawers of water, or are they to take their proper place in the rank of the great nations of the world and work out their own better economic destiny? There can be only one answer to this question. Indians to a man are awake and eager for their own economic salvation. Are they, then, going in the right direction? If they are, is it not apparent that side by side with their practical energy, shrewdness, enterprise and resources, whatever they may be, they ought to shake off their lethargy and awake to the imperative necessity of becoming experts in economic knowledge. Here, too, as in the case of statistical studies, all that is wanted is that we should have from time to time among us a class of able experts who would devote their whole time and attention to the practical study of economics and enlighten their less educated brethren. Is it hope-

less to get a dozen experts in each province? Is it hopeless to form societies for the creation of such a class of desirable specialists? We think it is not a hopeless task. The first step is for the formation of an Economic school, on the model of the London School of Economics. Each such school should have a first-rate specialist, not only a theorist, but a practical person, to ground and train our young men in this important study. As in other matters so in this, self-help is everything. Indians need not rely on the State to do all that could be achieved unaided by themselves. Of course, the State should reasonably come to their assistance. It could do a great deal by stimulating the spirit of economic studies in our colleges and universities. It can found chairs of Economics and endow professorships and prizes. So far we think the State can come to our aid. But beyond this aid, it is needful that we should do the rest, and, we repeat, the best and most practical way is to found one Economic school in each provincial capital of the empire. It should be a school for post-graduates who may have determined to get themselves well qualified as specialits in this branch of knowledge. Thus there would be established a nucleus of institutions which later on will spread their branches all over the country. It is the only way in which the subject in its practical aspects can be accomplished. Each school ought to have a competent professor, one who specially understands the needs of India on all economic matters and can give a series of well-thought-out lectures which shall be at once interesting and instructive for business economics.

Thus by the establishment of schools for the prosecution of both statistical and economic studies, Indians

will have taken the first essential step towards the realisation of all their hopes and aspirations for a regenerated industrial India. The subject has only been treated here in a skeleton form in order to stimulate public spirit and enable the discerning people to make a modest beginning. It should be discussed in all its broader and practical aspects by our Conferences and Congresses so that some united action and active co-operation may follow. The rest may be left to time. Great projects of national welfare require great efforts and sacrifices at first; but when those efforts have been successfully accomplished and the needed sacrifices are cheerfully undergone, the future task may well be left to posterity. We Indians of the present generation will have amply discharged our duty when we have laid down the bricks for a solid foundation which Time in its onward course will crown wth a noble edifice beautiful to behold and admire. So let us be the humble pioneers in this great task of the econmic regeneration of our country. The times are favourable, the spirit of true Swadeshism is in the air. Let us be up and doing, and leave foot-prints on the sands of Time which those coming after us may safely tread and lead on the nation to its ultimate economic goal.

INDIAN RAILWAY FINANCE.

1.—GENERAL SURVEY (1ST JULY 1908.)

[*The following series of Essays were contributed to the "Wednesday Review"* in 1908.]

The full text of the report of the Committee on Indian Railway Finance and Administration is now to hand. Viewing it from the *Indian* standpoint it is most disappointing. At the very outset of our criticism we are bound to protest against the policy which the Government of India has for years adopted in railway matters, whether it be the question of new routes, new rolling stock, additional facilities, mileage rates for goods and passengers or other equally cognate topics. The permanent population of India is *never* thought of. To those responsible for all railway matters, the people are an absolutely *negligible quantity*, aye, so negligible as to lead one to infer that there existed no Indian population at all! Its wants and wishes, its comfort and convenience, its complaints and grievances, its suggestions and proposals, are a minus quantity. These have generally fallen on deaf ears whenever brought to their notice. In exceedingly rare cases they have been listened to, and even then most perfunctorily and after much persistent agitation for years! Just as the tax-payers are supposed to exist for that army, so, too, in the matter of railways the vast population of three hundred millions, without whom it would be impossible that even the half a dozen of the most paying railways can ever earn a bare one

per cent., exist simply in order that the army of railway officials of the "superior' caste may flourish and see to the comforts and conveniences and the wants and requirements of the foreign exploiters of India economic products and other trade resources. The interests of these exploiters are paramount. We make this statement in no haphazard way. The whole history of Indian railways plainly tells it. It can be proved from their annual administration report. In no other department of the State is the interest of the white man more sedulously conserved and more actively promoted than in the department of Railways. The white man of trade and commerce has simply to agitate for his wants through his organised Chambers and organs of opinion in order to be able in the long run to get what he wants. If sometimes that agitation proves unsuccessful there are enough of the logrolling and lobbyist class in the House of Commons who would worry and harass to death the the Secretary of State for the time being to accede to what has been refused by the Viceregal Government. One of the commonest methods adopted to bring pressure on him and force a consent from him (party interests having to be carefully borne in mind) is a deputation. These white men of commerce never pay a moment's consideration to the rupee and anna aspect of the problem. They simply proclaim on the housetop: "sufficient for the day that we get the railways we want." To them it recks not how a new railway or a big proposal for rolling stock or other equally gigantic objects, is going to be financed. Aye, it matters little to them who pays the interest charge on the sums that must be borrowed for the purpose of constructing his new railway and how the annual burden in that respect increases. Their sole and

exclusive object is to exploit the country far and wide for their own interests without ever so much as staking even a single rupee in the enterprise. This is *the* worst feature of Indian railway policy and administration from the point of view of the Indian. The population counts for nothing. It only counts like so many dumb driven cattle to earn money for the foreign share-holders who not only eat their cake but call for it again! Take the most flagrant instances in this respect. Look at the original guaranteed railways now all purchased by the State. How have their share-holders been enriched? The State guaranteed them a regular interest of 5 per cent. per annum. The deficit had to be made up by the taxpayers, and, according to the official figures submitted in evidence before the Welby Commission, that deficit up till 1896 amounted to 51,84 crore Rs. or an average of over a crore per year! But this is not all. The State had entered into the most improvident contracts with these guaranteed companies the underlying principle of which was that the companies were to win while the State was to lose. Their share-holders were to be bought off on this principle. *They have been so bought out.* Such was the want of foresight on the part of the Government that when the time for purchase came *no sinking fund* had been accumulated to pay for the pound of flesh marked in the original bond. Practically, the Government was at the mercy of these guaranteed companies. They had all to be paid for at the market rate of the day—because it was so said in the bond. Their shares stood at a certain premium which would *never* have been the case had not the Indian tax-payer regularly built an income for them, besides paying the annual deficit of a crore per annum! But the

crowning part of those improvident bargains has still to be related. Having never accumulated a sinking fund the Government had had to borrow afresh to pay these guaranteed cormorants the purchase-money. So these self-same companies were reformed or reconstructed. The price of the purchase-money had to be paid partly in cash and partly in shares at an inflated value, with the fresh provision that in consideration of the company managing the railway a certain share of the profit would go to them. So, here the reader will be able to understand how the original guaranteed companies, after having eaten their cake to the full, and more than full, are now devouring a fresh slice, thanks to the want of foresight and financial statesmanship of the State.

Thus, it is a fact that Indian railway finance from the very first day that the railways were laid out in India has been a series of colossal blunders which would have created a howl in any other civilised country on the face of the globe! Every new departure taken in railway enterprise from 1848 to 1908 has been of a most suicidal character financially to the true interests of India. Railway construction at the outset by private enterprise in India has really led to a huge mill-stone being hung round the neck of the State. It ought never to have been so, but we owe it all to that so-called glorified "statesman," Lord Dalhousie, who rendered such distinct disservice to India in more than one direction. Of course, in justice to the Government, it must be said that it changed its policy after 1868-69 and began to construct railways itself from borrowed monies. Unfortunately, even this policy underwent modification which, from a financial point of view, has not been of a favourable character to the Indian. But it would be

a long and sad story to write the history of Indian railway finance, however briefly. Quite a thick volume is required to do justice to the subject.

As to the report of the Railway Committee, we had keenly looked forward despite its far from satisfactory constitution and its circumscribed scope of reference to a well considered and cautious financial policy, consistent with the State's huge liabilities on railways and with an eye to the future burden on the tax-payers by way of increased borrowings. It is superfluous to observe, as stated at the outset, that we have been grievously disappointed. The Committee was asked to report on the following points:—

(1) Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade; and if not, then,

(2) What additional amounts may properly and advantageously be raised for the purpose;

(3) Within what limits of time, and by what methods they should be raised;

(4) Towards what objects should they be applied; and

(5) Whether the system under which the Railway Board now works is satisfactory or is capable of improvement and to make recommendations.

In reference to all these, we repeat, the report from the Indian point of view is wholly unsatisfactory.

EARLY FINANCIAL SHORT-SIGHTEDNESS AND HEAVY LOSS TO THE TAX-PAYER.

The very second paragraph of the Introductory Report, which relates the history of the guaranteed companies, informs us that "for many years the earnings of

the companies fell short of the interest guaranteed, and the *deficit was a charge on the revenues of India.*" But it is rather vague, the phrase "many years." It leaves the reader in doubt as to the *definite* period for which these companies continued to be non-paying. As already stated practically it was for fully half a century. The next item of interest to the public is the heavy purchase price which had to be paid to buy up these railways, of which the earliest was the East Indian. The price was in the form of "terminable annuities" all of which are still "running." In other cases, "cash payment was made in cash or in India stock." The one great financial omission of a most unbusinesslike character in respect of these railways was a sinking fund. When it was prescribed in the contract of each company that the State would purchase it at its option at the end either of 25 or 50 years, *ordinary* commercial foresight ought to have prompted the Government to institute a sinking fund from the very commencement which would have enabled it at the end of 25 or 50 years to pay off these companies without fresh borrowing in one form or another. True it is that such a fund would have entailed a heavy burden on the Indian revenue, besides that of meeting from time to time the deficit on the guaranteed interest. But we contend that such a burden would have eventually proved most economical to the tax-payer—at any rate, *a great deal less costly, than the burden now entailed* by having to borrow for the purchasemoney in one form or another. Save the East Indian line, all the other guaranteed railways have been purchased after 50 years. Surely it stands to reason that in 40, if not 50, years since the date of their respective construction sinking funds would have enabled the

Government to buy them up *without borrowing and incurring fresh interest charge.* Had that been the case the State to-day would have been the free and unencumbered owner of each of these lines. As things are, it will not be so till 1930 in the case of the East Indian line and 1950 and beyond in the case of those acquired since 1900. None of the hard and fast terms which, even under the scheme of the purchase, the Government has been obliged to agree to, would have been found necessary. But the companies were the masters of the situation and not slow to drive as stiff a bargain as it was possible to drive. To allege that the tax-payer's interests have been safeguarded is to allege something which is far from the fact. The tax-payer lost *a crore per annum* during the first 55 years, and during the next fifty he will only be able to earn a great deal less of his full net profits than might have been otherwise the case.

In paragraph 4 the Railway Committee give a short resume of railway finance during the five years which ended with 1906-07. Let us give the figures of the fifth year.

		1906-07
Capital outlay	£	253,708,169
Gross Earnings	£	26,834,000
Gross Expenses	£	130,493,522
Net Earnings	£	13,341,338
Percentage of net earnings on capital	£	5.26

From the above percentage the reader should not jump to the conclusion that this was the *net gain or profit* which the State, the owner of the railways, earned. No. Because to the gross working expenses must necessarily be added all charges for interest on loans borrowed for

railway purposes, plus annuities, &c., and the shares of surplus which, owing to the short-sightedness of the State in not having originally instituted sinking funds as already stated, have perforce to be allowed to the old guaranteed companies. When such charges and liabilities are deducted from the "net earnings" so-called, (13.34 Million £) the amount dwindles down to £2,313, 541. This is the *real net profit*, according to all recognised mercantile principles, which the State, that is the tax-payer, earned on its capital of £253,708,169. What is the dividend or percentage? Just 0·91 per cent! Not 5.26 per cent. on *mere net earnings*, without deducting all necessary charges and liabilities of the year. But so perverse are those responsible for railway finance, and so ashamed is the Government of the miserable net gain it secures for the poor tax-payer over its gigantic railway capital, that the misleading percentage of net earnings—that is the *nominal* percentage—is always put forward, while the *true or real* one is entirely omitted to be mentioned! Let then the tax-payer take such comfort as he can from this crucial fact of Indian railway finance, namely, that the State railways are *not yet* able to earn, even after full 60 years (commencing from 1848) more than 0.91 per cent. on the colossal capital! *It is not even* 1 per cent! and even that since 1899-1900. This is the *true* paying character of Indian railways as made naked by the Railway Committee. But the Committee at the same time are obliged to be a bit optimistic and present the figures of net gain to the State in a more favourable light. So they take care to impress the following fact on the public: "These figures understate the true net revenues derived by the State from the railways, inasmuch as a portion of the charge under the head of "annuities for

the purchase of railways represents re-payment of capital." This amount of capital so redeemed came in 1906-07 to £752.135. We are perfectly willing to give the benefit of this amount to the net profits of that year. Adding this sum we come to £3,065,676. On this amount the dividend comes to 1.20 per cent. Here then is the whole railway finance in a nutshell. The total capital outlay of 253 millions sterling earned 1·20 per cent. for the tax-payer after 60 years of railways in the country!

This is *the* most important topic treated by the Committee in their preliminary chapter. The minor topics have reference to the terms of the *existing* contracts with railway companies, to the annual programme of railways, and to the vexed question of obstruction offered to "private enterprise" as alleged by many a mercantile witness. More or less the last is an apology or defence of the Government. The Committee say "they are not aware of any case in which true private enterprise, that is the construction of railways without financial assistance from the State, has ever failed to receive encouragement from the Government of India, provided that the proposed undertaking was one which would not enter into injurious competition with existing lines." The weakness of the defence lies in the proviso. *Who* has been all along the judge of the "injurious" character referred to? The Government itself. Can the Committee aver that it had before it each case of private enterprise? Did it fairly examine the *pros* and *cons* of such? Did it hear at all what promoters of private enterprise in Indian railways had to urge in support of their complaint? And did it hear what the Government had to urge? If the opinion now given has been arrived at *after* such investigation, then we are disposed to agree with

it ; but not otherwise. It should be remembered that on one side was the State with all its might as the owner of railways—therefore an exceedingly interested party to see that none encroached on its monopoly. On the other hand was the competitor, the man of private enterprise. The decision did not rest with an impartial third party. No. It rested with the powerful monopolist. His judgment must necessarily be biassed in his own interests. No wonder that private enterprise had *no chance* to compete. It was shunted off with both hands. 'Not here, if you please, you have no business to poach on my preserve." So said the interested party. Under the circumstances it is somewhat amusing to read the *obiter dictum* with which the Railway Committee conclude their introductory remarks. "Any attempts to exploit the country for the benefit of the concessionaire by means of schemes which would either compete unfairly with the railways already in existence or be likely to prove disadvantageous for the tax-payer, has been consistently, and in our opinion, rightly resisted by the Government of India." We readily subscribe to the principle. But may it be inquired whether the Government has uniformly observed the principle *in practice?* We mean, not in reference to promoters of railways by private enterprise but in reference to its own railways? What are these Chambers of Commerce in the country but so many foreign exploiters? Is it not the case that in many a railway line constructed these were the exploiters who egged on, by their forcible agitation here and in England, the State? Is it not the case that some of such lines owe there origin to *their* interested agitation for their own benefit, and that without the large body of native tax-payers having been at all consulted? How much is

it to be wished a thorough and independent investigation had been instituted in order to let the tax-payer learn the truth, namely, the number of instances in which lines have been constructed during the last 25 years under pressure and agitation of the foreign exploiters for promoting their own trade and exploitation of the resources of the country. It would be also interesting for the tax-payer to know the total amount of capital outlay of such lines, and what *net gain* has accrued to him from those? As things stand, it is a notorious fact that apart from huge strategic railways of a most non-paying character, the country might have done better but for certain lines of railways which have been constructed at the instance or clamour of the foreign exploiters.

III.—AGITATION ON ROLLING STOCK AND NEGLECT OF INDIAN GRIEVANCES.

To proceed now with the answers to the several questions on which the Railway Committee were asked to give their opinion. The first one was:

> "Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade".

As a preliminary to the answer to this question, the Committee give a brief account of the Indian railways at the end of 1906. The length of railways open in India was 29,097 miles on which the total capital expenditure, including outlay on construction, equipment, etc. was 379.20 crores of Rupees. Of this open mileage, fully one-fifth and more, say 6,443 miles, were owned by Native States or by companies not guaranteed by Government. For the financing of these the State is in no way responsi-

ble. They are, of course, wholly out of the purview, therefore, of the Committee. These are excluded from the scope of reference. "The lines," say the Committee, "which depend for the supply of capital on allotments made in the programme, *i.e.*. lines owned by the Government of India or by guaranteed companies, were 22,654 miles in length on 31st December, 1906." There were 3,283 miles besides of new lines under construction. So that for purposes of the programme of future railway financing the total mileage, which came under the Committee's consideration, was 25,937.

Between 1900-01 and 1906-07 the amount expended on capital outlay was as follows :—

1. On construction of new lines ...	£ 22,836,510
2. On rolling stock, etc. on open lines.	£ 27,411,120
Total	£ 50,247,630

The annual expenditure which stood at £ 5,317,768 in 1900-01 rose to £ 8,999,430 in 1905-06. In 1906-07 it mounted up to £9,741,000. Thus, in 6 years the growth in capital expenditure amounted to £4,423,232, equal to 83 per cent! But, despite this outlay, almost double, the alien exploiters of the country were not satisfied! Like the harpies, the more they got the more they wanted. They cried aloud that the capital was insufficient and raised the agitation that the rolling stock was insufficient. The complacent Committee have been "satisfied" that such was the case, the reason assigned being the "activity of trade which prevailed in India in coal, grain and manganese ore". This statement may be accepted, but, in our opinion, the Committee do not seem to have taken the trouble to trace the cause or causes which led to the

cry of the inadequacy of the rolling stock being raised by the vociferous Chambers of Commerce. The Bengal Chamber, it is notorious, is omnipotent for purposes of bending the State to yield to its trade demands in every direction. The Government of India is not strong enough to resist the pressure and influence it brings to bear on it to carry out its object, good, bad or indifferent, and ill-founded or well-founded. The Bengal Chamber, above all other Provincial Chambers, is the master of the situation. It has known the secret of its success. When we state what that secret is, everything will stand plain. The key to its success lies in the fact of the Chamber's consciousness to make things unpleasant for the Government if that entity refuses what it wants. Here, we no doubt touch upon politics. But, it should be firmly borne in mind that politics and economics go hand in hand. They act and react on each other as the greatest economists have averred. Well, then, it is an open secret that since the days of Lord Dufferin, the "diplomatic" Viceroy, there has been a tacit understanding, equivalent to a solemn league and covenant, that the Chamber should not make common cause with any Indian agitation, however strong, however well-founded and however just. It is well-known, how prior to Lord Dufferin's Viceroyalty, for over half a century, the Bengal Chamber, on important occasions, when some unpopular legislation was on the anvil, used to co-operate with the best and most influential Indian representatives. Their combined influence used to have a most salutary effect on the measures of Government. Now, the "diplomatic" Lord Dufferin, as is well-known to the *entire* Indian community in the country, did two things worthy of his

"Oriental" diplomacy so well learnt in the school of Constantinople and Cairo. "Divide and rule" was his motto. And he successfully carried it out. He divided the Hindus from the Mahomedans notably in Bengal. And, secondly, he succeeded in separating the Bengal Chamber from the influential Bengal representative organisation.

To revert to the subject proper. Let us see what happened just a little before the hue and cry was raised touching the inadequacy of railway rolling stock? The Bengal Chamber mostly consists of owners and managers of a large number of jute mills and coal mines. Bengal coal, by reason of its comparative cheapness, was coming more and more into favour with consumers of the fuel in the country, railways and steam factories of all kinds inclusive. Naturally, as a result, the activity of the owners of coal mines in Bengal was greatly stimulated. But they thought that railway freight was a factor which partially hampered greater consumption. So, the first line of attack was against the freight demanded by the important railway companies. Of course, the cry was successful. The coal freight was reduced. This gave a great spur to increased output of coal mines. But these coal mine owners found that they could not realise their golden profits (for, with increased demand, prices rose and rose) as speedily as they wished, because the Railway Companies' rolling stock for the carriage of the coal was inadequate. Simultaneously, there was a furore for manganese exports, owing to Russian manganese having for a time been scarce in England and elsewhere. Being a light metal it required a large number of waggons for its conveyance to the port of export. Thus, the greater

output of coal and the stimulus given to manganese found the railway companies short-handed for waggons. Of course, the Bengal-European merchants began to cry aloud. The railways did their best to cope with the increased traffic. Still the traders were not satisfied, and, as usual, there was an organised agitation, in which of course, Bombay, Madras and Cawnpore Chambers, joined and made common cause, to force the hands of the Government for increased rolling stock. This is the real genesis of the affair. The reader will see how, step by step, the Bengal-European merchants successfully endeavoured to gain their object. There was at first the agitation for the reduction of the coal freight. No sooner was that reduction given than rose the fresh agitation for inadequate rolling stock till the Government was compelled to yield them in this respect also. The Government, of course, had to yield, specially bearing in mind the ferment in the country for political reforms about which many a non-official European had silent sympathy. To have stubbornly refused these alien exporters was to have created greater dissatisfaction. To the Indian dissatisfaction would have been added the European one. Thus, politics and economics both conspired to gain for the Chambers what they wanted. This is another aspect of the agitation touching the inadequacy of the rolling stock which the Committee have quietly ignored to relate. But how can the Committee, constituted as it was, do otherwise? It is so far an one-sided Committee, that not even a single enlightened and experienced Indian is on it—an Indian who could have urged the *Indian* view of the matter and tried to elicit from the witnesses examined how far the agitation was well-founded and how far exaggerated.

But, of course, as we have said, the Chambers knew well that they would be masters of the situation and therefore pressed their claims and squeezed most successfully the Government of India. Could anyone venture to say that a popular *Indian* grievance, for instance, the inadequacy of third and intermediate class carriages for millions of native passengers, who contribute annually 14 crores of revenue, would have ever been so successfully redressed, say within 2 short years, as this one by the interested white men who are so potential with the Government? For how many long years is this grievance a standing one, we mean, in respect of third and intermediate class carriages? Are not passengers travelling in these carriages still packed like a herd of sheep? Is it not sometimes heard that open trucks for carriage of goods or even *cattle trucks* have been used to carry such passengers? But did the Government so sympathetically heed that grievance? And has it *yet* done all to allay or redress it? Let the conscience of the railway authorities answer the question. This, then, is the difference between the interested agitation of the European mercantile "agitators" and the disinterested agitation of the Congress on behalf of the masses for improved accommodation and convenience for 3rd class passengers.

The Railway Committee, again, has not told us in plain terms whether the rolling stock which existed at the time of its appointment had been "worked with the greatest efficiency." It is, however, constrained to acknowledge the fact as given by some of the witnesses. Here is its oracular pronouncement: "Some of the witnesses have suggested that the existing rolling stock is not worked with the greatest efficiency, and there may

be room for improvement in this respect. The attention of the Railway Board should be drawn to the point." Apart from this, the Railway Committee has expressed no opinion whether the increased rolling stock will or will not stand idle for 8 months of the non-busy season. And whether it is right in *blindfoldedly* recommending the large addition of the rolling stock costing crores? What about the *non-paying* character of it while it lies idle? Who will bear this loss, which we need not say will be in addition to the annual interest charge on the fresh capital outlay in this behalf? So far we are constrained to observe that the Railway Committee's report is not only imperfect but unsatisfactory. It is not *impartially* written.

Coming back to finance, the Committee opines that "in three years ending 31st March 1908, nearly £20,000,000 will be spent in increasing the capacity of open lines, and the result of this expenditure will, no doubt, for the time being have given much help towards bringing the existing railways up to a proper standard of efficiency." True. *But efficiency for whom?* For the alien exploitors or for the natives of India? From the following paragraph it appears that all this efficiency is to serve the European merchant. *There is nothing or next to nothing for the Indian passenger.* "It appears from the Administration Report on Indian Railways for 1906 that 4,316 waggons were added during the year to the stock on the several railways; also that an additional 8,733 waggons were under order at the end of the year, and that the provision for 2,888 more had been authorised, making a total of 11,521 waggons or ten per cent. to the number (115,686) in existence at the end of 1906. The stock of waggons on Indian railways in the spring of 1908 will probably

be far larger by some 13,000 or $11\frac{1}{4}$ per cent. than it was at the end of 1906." But there is not a word about the increase of carriages for 3rd class passengers! Be that as it may, the answer, then, to the first question is that the equipment of the Indian railways has been unequal to the requirements of trade in the last two or three years, and therefore they recommend that the allotment for railway construction and equipment should be increased beyond those of recent years? It remains to be seen what amount the Government of India eventually fixes for the purpose.

IV—CONSTRUCTION AT BREATHLESS PACE! EXPENDITURE OF $12\frac{1}{2}$ MILLIONS STERLING PER ANNUM.

The next question treated by the Railway Committee is in reference to the additional amounts, beyond those annually budgetted, for railway construction and equipment. Their answer is that "no definite limit could be assigned." The reply is founded on the statement, based on the opinion of many a witness, of course all European, with their own "enlightened self-interest" to satisfy, that there is such a wide scope for fresh development that even a modest mileage of 1 lakh against the existing 30,000 would not be overmuch! It is not surprising that this class of witness should have been of the opinion just stated. Their sole aim and object being the exploitation of all available resources of India for acquiring the largest wealth possible in the shortest conceivable time, it is perfectly intelligible that they should put forward their views in the manner they have done. In substance, they meant to convey to the Railway Committee, which largely was representative of

their own interests, with not a single one on behalf of the mass of the Indian taxpayers, who on railway matters are a negligible quantity with the Government itself, that whatever mileage was annually resolved upon would not be enough to satisfy their wants! The Indian peninsula was so enormously large, while the raw materials to be drawn away from the country were so abundant and tempting. What was the Indian tax-payer to them or they to him? It was sufficient if they succeeded in calling for the tune while the tax-payer paid the piper. Had there been even a single Indian representative of the tax-payers on the Committee, he might have put the pertinent question how unlimited mileage was to be financed? He might have asked for a detailed return of each and existing line and queried the witnesses whether they were all productive and whether they were all needed for the requirements of the Indian population. Indeed, he might have run the gamut of the entire Indian railway system and its finances from the date of their respective construction and opening of each line and elicited categorical replies as to the utility and productiveness of each. But, of course, that was not the case. The Committee was a packed Committee to register the foregone conclusions of the Government of India forced on it by the "agitation" of the influential commercial "agitators" of the land. Aye, not even a single Indian witness was called to offer his evidence from the point of view of the Indian tax-payer, namely, whether increased railway construction at the rate of 15 and 20 crores per annum was a blessing or a curse. It is all very well for these foreign exploiters of India to magniloquently talk about every yard of railway being a benefit as if a railway was something like

rain from heaven every inch of the fall of which was certainly a benefit to agriculture. To these keen advocates of breathless railway construction railways are, from their interested point of view, a golden harvest. But is it such a harvest to the agriculturist, to the artisan, to the poor population of the area or tract through which railway has to be made? Is it always the case that in the trail of a railway line there is gold to be gathered by the poor? Or, is it generally the case that the poor is made poorer because of the deprivation of his means of livelihood by a railway passing through the tract where he is living? Can it be honestly asserted that the railways have uniformly brought benefits commensurate with the previous economic advantages which vast numbers of the poor masses enjoyed,—the agriculturist, the artisan, the bullock carrier, the cartsmen and so on. One should like to have on record the economic facts of each tract whence a railway has been made *prior* to the railway era, and compare the benefits which the railway era since 1848 has brought in its train. In short, let us have *the necessary economic equation*, the plus and minus of the pre-railway period and the plus and minus of the post-railway period. Let us strike the balance and see how far the true economic prosperity of the masses has been maintained, advanced or woefully diminished. It is a most arduous and uphill task, but he would be a benefactor of his country who could successfully undertake it and bring out the true results. We know well that what is good for one country is not necessarily good for another. In the matter of railways, hither and thither,—railways paying and railways non-paying, railways military and railways commercial it is a problem whether they are all for good. The reader should not be so hasty

as to infer that we condemn railways wholesale. Far from it. In the economy of the world railways, thanks to the material civilisation of the West, have become essential. But we do say that they are *not indispensable.* Admitting that for so vast a peninsula as India a certain amount of facility of communication, leading to opening up of tracts which really bring in wealth in one form or another, is necessary, we venture to say that *the pace* at which railways have been hitherto constructed, and are going to be constructed, in the immediate future, *is open to serious question, economically and financially.* The railway policy hitherto pursued by the Indian Government cannot be said to be an unmixed "blessing" to the poorest masses. Its benefits to this class are next to nothing. Just as the protective policy of the East India Company and its early successors, in matters of British goods, destroyed certian Indian industries so has the railway policy destroyed many humble but remunerative industries, professions and trades. The result of that policy is to be seen at present in all its gruesome nakedness in the condition of the day labourer who seldom gets his one full meal a day. These precious railways have swept away hundreds of thousands of men who eked out a fairly contented and prosperous existence prior to the era of railways. The destruction has been nearly as complete as possible. The railways have *never replaced* this old order of men. A few hundreds in each area my have found employment on the railways themselves. But the rest were first driven to land thus pressing on the means of subsistence, and afterwards thrown out of land by thousands to become mere day labourers on the field with a most precarious subsistence. So that even railways are not such unmixed blessings to a people as our Western rulers,

with wholly Western notions, seem to imagine. Again, the railways have imported quite an inordinate army of Europeans in their service who are drawing extravagant salaries not warranted by the country's finances or ability. The salaries earned come to a crore and more per annum. We are of those who believe that railway construction in a country is limited by its own peculiar environments and resources. The economic conditions have to be first closely considered; next, also the physical. In fact, the two are inter-related. Periodically afflicted as India is with famines, mild or severe, it is notorious that agriculture suffers, while agriculture is the staple industry of the country for centuries past. People prospered on it. Those, a fraction, who depended on other industries, were able to live well and thrive. The home demand for other articles, of which cloth was, of course, the principal stimulated those industries and thus kept the non-agricultural population well engaged. Aye, even beyond home trade, there was the foreign trade in calicoes, in sugar, and in spices which brought profits to the country. So far as to the physical conditions. These in turn necessarily evolved fair economic conditions. No heed seemed to have been paid by the pioneers of railways to the environments of the people and the agricultural conditions of the country. But, if the pioneers erred there is no reason why their successors with the experience of half a century should persist in perpetuating those errors, aye, even aggravating them by yielding to the pressure of the vociferous and influential commercial "agitators" and go on blindly building railways at breathless pace when the condition of the country first demands an amelioration of the indigent masses of the people. All these and many other relevant

matters might have been brought to the surface had competent Indian witnesses been invited to give evidence before the Railway Committee from the *Indian* point of view. But in their complacency the governing authorities seem to fancy that in all India there are not even half a dozen experienced Indians who could give such evidence !! What a delusion ! But it is of no use now prolonging this wail. We have been obliged to say so much because of the singularly short sighted but oracular pronouncement of the Railway Committee itself, namely, that "witnesses look forward to a time when the 30,000 miles of railways now open will have been increased to 100,000. That even this estimate of mileage is short of that which will ultimately be found to be necessary in India" ! Aye, these infallible Popes go a step further and opine as their conviction that "there will be fruitful fields for large reproductive expenditure on railways in the country for many years to come." When such false prophets proclaim on the housetop their prophecy, what hope is there for the Indian taxpayer to arrest this extravagant and blind " progress " forward in railway construction ? On the one hand, are the witnesses whose interest is to amass wealth without putting their hands in their pockets for a single Rupee ; on the other, there are their own interested kith and kin, specially the iron and steel manufactures, equally prone to encourage and promote their interests ! Thus, the Committee has proved itself a sham. It never went into the root of the matter. How can it give any other verdict than the one it has given—a verdict which was agreed to *before* even the investigation began ?

After this we need not be surprised at the following oracular utterance : " It is therefore, in our opinion very

desirable that the steady, and even rapid, development of the railway system of India *should be regarded by the Government as one of its most important duties.*" But the Committee at once became conscious of the extravagance of their own recommendation. Its economic conscience touched there. So it qualified the recommendation as follows: "but at the same time *we recognise the financial difficulties that may be experienced when the Government commits itself to new and expensive schemes on a large scale.* The danger which attends a policy of rapid development is that large projects, involving heavy annual expenditure over a long series of years, may be begun at a time when capital can be easily obtained, and may be still far from completion when capital has become comparatively scarce and dear. In such circumstances it is necessary to choose between two alternativas, *viz.*, retardation of the work, and borrowing at unfavourable rates, so as to allow a speedy completion. The former alternative entails loss owing to the dispersal of labour that has been collected for the works, to the difficulty of making sudden reductions in the higher tariff of trained engineers, of whom the majority are permanent Government employees, while the remainder are engaged for a term of years, and to the prolongation of the period during which capital remains unproductive. *The latter alternative involves the risk of a fall in Indian securities relatively to others, which may lessen their popularity and prejudice the success of future loans.*" How careful here is the Committee to safeguard the railway investors who are almost all British! Various witnesses very airily opined that it would be easy to provide annually from 15 to 21 millions sterling. But the Committee recommends

that "for a good many years to come, the amount that might with advantage be spent on railways in India will exceed the funds which will on the average be available, so that the effective limit of the amount to be spent in any year will be the amount that can be provided." So here the Committee wisely left to the Government to fix the amount, though, not without quoting Lord Rothschild's opinion. He was asked: "That in regard to the amount of money the Secretary of State can raise in any one year in London you are inclined to think that an average of 8 or 10 millions would be about the figure." Lord Rothschild replied: "I think he might get it, *especially if it were distinctly stated it was for railway purposes.*" So here one of the greatest financial authorities in the world opines that India can at the utmost borrow no more than 8 to 10 millions, and even that much when the lending public is informed that the loan is wanted *for railway purposes* the significance of which is obvious. It is difficult for India to borrow in London as much as 8 to 10 crores though other impecunious or bankrupt, Continental and American States, can obtain double and treble that amount. But probably it might get that *if it was announced that the borrowing was for railways.* The inference is that no bigger loan can ever be floated for India in the greatest monetary centre of the world. This opens up another financial question, namely, how may India borrow in India at 4 per cent, for "reproductive" public works, railways and irrigation included? But we will not expatiate on this question at the present stage. It demands a separate and exhaustive treatment by itself. So the Committee further remarks that "it would not be imprudent for the Secretary of State to contem-

plate raising in London, in normal years as much as 9 millions sterling." These 9 millions are to be supplemented by another 5 millions as follows :—

		Lakhs.
From Revenue surplus	...	100
Annual appropriation from Revenue for reduction or avoidance of debt		75
Savings Bank Deposits	...	100
Rupee Loan	...	325
Moiety of profits of Coinage	...	150
	Rs.	750 = 5 million £

After further observations the Committee at last, after many wrigglings, "recommend an annual rate of expenditure on railways which there is a reasonable hope of maintaining even in difficult times, and we accordingly advise that the Government of India be authorised to prepare their annual railway programme on the basis of a capital expenditure of £ 12,500,000." So, here at last after many gropings and searchings of the financial conscience, the Committee have touched dryland—namely, 12 millions, against an average annual expenditure from 1898—99 to 1906—07 of nearly 7 millions, and against the allotted grant of 10 millions in 1907—08! But the story of the future of railway finance is not over. There is the third question: "Within what limits and by what methods should additional funds be raised?" That is another exhilarating story of railway finance related by the Railway Committee.

V.—POLITICAL AND ECONOMIC EXPEDIENCY OF BORROWING FOR RAILWAYS IN INDIA.

The third question dealt with by the Committee has reference to the limit of time within which additional

funds should be raised and the ways and means of raising them. The answer is that from 10 to 12 millions should be raised. But the Committee make the very sensible and business-like suggestion that no fixed sum, sufficient for expenditure in a year be raised. The amount should lie at the discretion of the Secretary of State who would take care when the money-market is easy to raise in excess of his wants and to borrow less when there is a stringency. Thus the principal object would not be defeated, and the risk of having to reduce expenditure at a time of stringency will be considerably minimised.

As to the method of raising the $7\frac{1}{2}$ millions in London, the Committee suggest four ways :

1. Direct Government borrowing ;
2. The issue of short dated debenture bonds by companies with the guarantee of Government ;
3. The issue of debenture stock by companies, guaranteed also, but redeemable after a long period and at the option of the borrower ;
4. The issue of share capital by companies with a Government guarantee of interest and a share in surplus profits.

The first method hitherto in vogue, at least for the last twenty years, is deemed the simplest and the most economical. Lord Rothschild had expressed his opinion that the Government would not find any difficulty in raising annually 8 to 10 million pounds as a maximum. The authority of so experienced a financier must be held to be conclusive and should be followed. But if in case of emergency, military specially, a larger amount has inevitably to be borrowed, then short bills may be issued by the India Council after the manner of Treasury bills.

But the Committee are of opinion that it should be put into practice only as a last resort. Another method suggested by a witness is to issue a 4 per cent. stock on the hypothecation of a portion of the Indian revenues. But this would be altogether illegal, bearing in mind the existing obligations of India. The issue of debenture stocks by companies but guaranteed by the State is deemed expensive and less popular than the ordinary Government stock. At the same time in certain circumstances the method might with advantage be employed and thus popularise somewhat such debentures. Again, short term debentures are supported as another mode of raising the funds. But having regard to the fact that there are already large outstanding debentures of this character, to the amount of well nigh 17 millions sterling, and to the consensus of opinion among financial witnesses that this method of borrowing should be used most sparingly, the Committee put aside this method also. Lastly, there is the raising of capital by the working railway companies by new issue of shares. The Committee are greatly in favour of it, albeit that this method which was in vogue before has been held in suspense these last ten years. The only trouble will be to make some modifications in the existing contracts of the companies.

It may be observed here that as far as railway financing is concerned the Railway Committee seem to have been greatly carried away by the *purely English aspect*. In other words, they have implicitly relied on the English financiers. Of course, they are entitled to the greatest weight, for nobody can deny the value to be attached to opinions pronounced by such world-financiers as Lord Rothschild and others.

At the same time is it not worthwhile giving India a fair trial? Of course, in a country like India large capital at a rate of 3 or $3\frac{1}{2}$ per cent. interest may not be forthcoming. Even if there be large capital, more or less it is "hoarded" according to the authorities themselves. Is it altogether impossible to coax this Indian capital, which is so shy now, at a higher rate? In years gone by, with no State currency and an exceedingly restricted foreign trade, the Government used to borrow what it wanted at the rate of 5 and $5\frac{1}{2}$ per cent. and more. As the resources of the country began to be developed and as the means of communication were greatly facilitated and as the empire began to be fully consolidated the credit of the Government improved. It improved vastly with its revenue, and its auxiliary, the State currency. Hence the rate of borrowing was reduced to $4\frac{1}{2}$ per cent., then 4 per cent. till for some years past it has been steadily maintained at $3\frac{1}{2}$ per cent. It endeavoured to borrow at a still lower rate, namely, 3 per cent., but has found to its cost that it was a great mistake and holders of this paper have for sometime past been urging the expediency of paying it after converting into $3\frac{1}{2}$ per cent. for they have been greatly prejudiced by the low rate at which it is quoted in the market. Aye, it is even unsaleable, nobody but some trustees touch it.

It is clear that for Indians to invest their monies in public work loans, like railways and irrigation works, a rate of interest ought to be allowed which may be deemed fairly reasonable aud in harmony with the ordinary rate prevalent in the open markets of Calcutta, Madras and Bombay. It may be asked why is it that at $4\frac{1}{2}$ or $4\frac{3}{4}$ the best managed cotton mills in Bombay

are able to command unlimited borrowing? There is no accurate estimate of the actual loan capital in circulation among these; but at a guess it could not be less than 10 crores for all Bombay mills. If we take the cotton mills alone of all India 13 to 14 crores would not be an exaggerated estimate. There are then, again, the jute mills and the coal-mines which partly carry on their enterprise with borrowed capital. Our own suggestion to the authorities is that a full and fair trial for at least three years be given to borrowing more largely for public works in India at the rate of 4 per cent. When we find that such minor organisations as municipalities, Port Trusts and Improvement Trusts are able regularly to borrow at 4 per cent., and that without any Government guarantee, except in some cases, we do not see what could prevent the Government itself from borrowing likewise. *The economic advantages are enormous from the Indian point of view.* They say capital begets capital. So that with a larger amount of borrowing *in India*, the country will earn the interest which, in its turn, will remain *in India.* This is what is now badly wanted. At present it is superfluous to state that there is an enormous "drain" by way of interest charge on capital outlay on account of railways to England. It cannot be denied that *this interest comes out of the annual income of the country.* It goes clean out of the country. *There is no return,* because the investors of railway shares and debentures are mostly in England. *It does not return to fructify in the pockets of the tax-payers of the country.* Is there a doubt that were even a part, if not the whole, of this interest were *retained in the country*, the country and its people could be greatly benefited? It would be so much capital available for the State to borrow.

This is a very large subject on which much could be written. All that we would say briefly here is this. That we are of conviction *that the time has come when the economics of railway finance in all its bearings should be carefully examined* in order that the Government may take a new departure called for by the material advancement of the country. *No country can enrich itself where some crores are actually drained away without any hope of return.* It is, no doubt, at present one of the great economic evils which has arisen from the foreign rule. Those evils ought to be greatly minimised, aye, so minimised that by a slow and steady change in the policy of borrowing we might reduce them to the irreducible minimum. Financial statesmanship of the highest order is requisite—a statesmanship which, besides, shall not be one-sided and look through the *selfish interests of British capitalists alone.* If the Government were to raise annually an internal loan for public works of 8 to 10 crores at 4 per cent. we are sure it would *put heart* into the people of this country and every year would see a larger and larger borrowing, say to the extent of 10 to 13 crores. At present the Government only seems to have *one* eye, namely, the eye *to nurse the British capitalists and his interests. It should open its other eye also and try to understand the enormous economic evils* of its present borrowing policy, and gradually alter it so as to bring about that healthy and *economic benefit* which *internal* borrowing must inevitably bring in its train. There is also a serious *political aspect* of this financing which should not be forgotten. The greater the stake of the people in such loans is increased, the greater will be the security and permanence of British rule. Constitutional reforms of the administration are no

doubt well and good. But our people in agitating for these reforms seem to become hopelessly blind to the *financial reforms which are more called for*. For it should be remembered that a great deal of India's future political regeneration will depend on its *material* salvation. If political evils are to be remedied, it is not the less essential that the economic evils should *pari passu* be removed. In fact as economists of the highest repute have observed, economics and politics go hand in hand. They are inseparable and interdependent on each other. It is a matter of profound regret to notice that this important aspect of the existing situation is almost wholly neglected. It is much to be wished that our far-sighted and sober Indian politicians will now turn their greater attention to the problem of the *economic salvation* of the country. At present *India is the slave of British capitalists*. Is this slavery to last for ever?

VI.—PROFIT OF COINAGE—THE GRAVE INJUSTICE OF RESERVING IT FOR THE GOLD STANDARD RESERVE.

Pursuing our criticism in reference to the reply given by the Railway Committee to question No. 3 of the Secretary of State, we might first point to the exceedingly businesslike and sound suggestion made by Lord Rothschild with regard to railway borrowing, not according to the actual needs of a single year, but according to the opportunities afforded by the London money market where a larger part of the loans would have to be raised. His Lordship said: "When the moment arrives for appealing for further funds, then will be the time to decide in what form borrowing is to take place......The only advice I think I am entitled to give to the Indian

Government is *to make no fixed and unchangeable law for future policy. It is always best to have more than one string to one's bow, and if, when the time comes, it is found impracticable or impolitic to act in a certain way, recourse can be had to any one of the methods sketched out in the memorandum which has been given to me.* * * I should be excessively sorry to tie the Secretary of State down to raising money in any particular way." This is, indeed, the language of a truly disinterested and friendly adviser. Mr. Alexander Wallace, late Governor of the Bank of England, expressed views similar to those of Lord Rothschild on this point.

We now turn to another suggestion, but of serious import to the tax-payer, made in the 23rd paragraph of the Committee's Report. It is thought that, "in view of the direct and immediate benefit conferred by railway extension on the Indian producers, from whom a very large part of the Government revenue is obtained, and also having regard to the importance of checking the growth of the external debt of India, it would be greatly to the ultimate advantage of the tax-payers and sound policy for the Government of India, to endeavour to realise a larger average annual surplus than 100 lakhs (637,000 £) to be applied to supplement the other sources available for capital expenditure on railways. (2) It may also be found possible to issue Rupee loans of a larger annual amount on the average than 325 lakhs (2,167,000 £). (3) Finally, we anticipate that it may ultimately be possible to use the whole of the profits on coinage for capital expenditure. As regards No. 2 we are in accord with the recommendations of the Committee. We are strongly of opinion that were the Government to take courage and raise the rate of public works loan to 4 per cent.

and borrow almost wholly *in this country*, a large number of *bona fide Indian* investors would be always ready and willing to invest their loanable capital in railways. This is a matter to be encouraged, for, it is productive of a double advantage. As we have already pointed out every Rupee of capital *raised in India* for which interest will *be paid in India* is a step in the right direction. The economic condition of the country sorely demands that there ought to be now, as a beginning, *some stoppage* in the annual *drain* of that part of the country's wealth which goes to foreign parts, without any hope of return, by way of interest on capital borrowed. Secondly, if there is a large hoarded capital, as is the general belief, the more the State endeavours to coax it from the largest number so as to turn it to a beneficent purpose the better. Indeed, *the* most successful and automatic way of coaxing it is to offer a higher rate of interest. If lesser public organisations, with only a limited credit, such as Municipalities, Port and Improvement Trusts, can borrow easily at 4 per cent., why should not the State offer the same rate for its loans? It will be said that of what use paying a higher rate? Well, the higher rate is indirectly *a tax unseen* on the tax-payer. But we are of conviction that were a plebiscite taken *there will not be found a single tax-payer who would not willingly* undergo this small sacrifice *to attain the larger good* which must follow in the works of the stoppage, in however limited a degree, namely, prevention of the ceaseless drain on account of interest charge going on at present and increasing capital in the country itself.

Then, as to the suggestion for utilising the *whole* profits of coinage for railway capital. Here, too, we can see no objection though the interested

Chambers of Commerce will scream aloud and bully the Government to keep the profits intact for giving stability to their exchange operations. But it should be borne in mind that the *internal* trade of India is vastly more valuable than its sea-borne trade. That this trade is bound to expand with the growing expansion of railways goes without saying. Therefore, it ought to be the duty of the State to see how that internal trade is promoted. It will not do to favour a limited class of foreign exploiters at the expense of the vast mass of the indigenous producers and distributors. Such partiality is fraught with the gravest political injustice. The solemn declaration made time out of number that the sole aim and object of the Government is to govern India in the interests of India alone would hardly be justified. Indeed even now the Government is openly reproached for backing out of this declaration in practical politics, as people see how Indian interests, specially in matters of trade, are not infrequently subordinated to the interests of British exporters and their counterpart who are importers here. It is indeed a most glaring and disagreeable anomaly that the different Chambers of Commerce should have an upper hand in the matter of extended railways without having *any stake* whatever to speak of in this country. Members of these organisations come on their own hook to enrich themselves; but they want everything to be done for the promotion of their own interests *at the expense of the Indian tax-payers*. Why should it be so? Are we to be told that the different private railway companies in England listen to every interested cry of the Englishmen of Commerce? Each railway is a *private* concern limited by its capital. And it is for the Company itself to have the

last word whether it will build or not any line. It may or may not according as it sees the advantage or disadvantage of doing so. But here these Chambers of Commerce seem to think that they are the lords of India and that whatever they demand should be granted unto them irrespective of the tax-payer? No English railway capitalist company would listen to such a demand without the shareholders having a potent voice in the matter. *The tax-payers of India are in reality the shareholders in our State-railways.* But the State has been so far culpable in its responsibility to the tax-payers that *it never consults* them whenever a new line, supported by the interested Chambers, has to be built. It does the very contrary, and that, to the prejudice of the taxpayers, namely, yielding to the interested cry of this microscopic minority of foreign merchants.

Now, it cannot be denied for a moment that the profits of the private coinage of silver prior to the closure of the mints, belonged the tax-payers, not to the Chambers of Commerce. If the State alone now coins silver, it is with the *monies of the public.* So that the profits still belong to the public, speaking logically. And we, for one, contend that the Government of India *is guilty of the gravest financial injustice* when it utilises the whole of the coinage profits for the purpose of satisfying the demands of an omnipotent but fractional clique of foreign traders who absolutely should have no voice in the disposal of the revenues of the country, that is to say, the funds contributed by the tax-payer. Just consider for a moment the *genesis* of this coinage profit. Prior to the closure of the mints, silver was permitted by private owners to the mints in order to be

coined. And according to the mint rules and the standard of coinage, the equivalent of the bullion in Rupees was given back to the owners. It did not matter one iota to the Government what the *rate* of bullion was. That was simply the business of the owner. Whether it cost 60 shillings an ounce or 25, it was for the owner to count the loss or gain. If it was a loss he suffered. If it was a gain it was his profit. But the owners of bullion were none else than the *public*. Their gains, whenever there were *gains*, went *into their* pockets, not to the mint or the Treasury. But mark now the change which took place *after* the closure of the mints. Private coinage ceased. The State alone became the purchaser of bullion and its coiner also into Rupees. The standard of coinage is the same, that is to say, *it is still the case that an ounce of silver produces so many Rupees*. But the price of silver has gone down a great deal. *So that an ounce of silver now costs less*. The saving in that cost is really the profit, because the *same* number of Rupees are still coined out of an ounce of silver. *Had the mints never been closed these profits would naturally have belonged to the public* who could have still presented its bullion to the mint. It will be thus seen that after all the profits belong to the public. Aye, more so, for, after all, the purchases made of the bullion come from the monies contributed by the tax-payers. Why then should such a profit be *earmarked not for a public purpose*, but for keeping exchange stable for the fractional clique of foreign merchants who come to India to make money? Here is *another serious* evil arising from the closure of the mints beyond the evils which are so well-known, and yet the Government yields to the cry of this interested minority and carries the

profits to that artificial device known as the Gold Standard Reserve! Had our silver currency never been tampered with and had Government never yielded to the cry of these Chambers, India to-day would have been in a more prosperous position than it is and, therefore, we are at one with those who have designated the closure of the mints as a "crime." Yes. It is a crime and a most inexcusable one. That crime has led to this other crime which has for its object the Gold Standard Reserve to keep pleased a small minority at the expense of millions of His Majesty's Indian subjects. It is a monstrous economic injustice and the less we now say on this part of the subject the better. We think, therefore, it is indeed a most sensible proposal of the Railway Committee to recommend the utilisation of the annual coinage profits towards fresh capital outlay on railways which, of course, are for the public.

We regret, however, we cannot endorse the recommendation of the Committee that the Government should have a larger annual surplus from revenue. That is only possible by two means; (1) By the natural growth of all the important sources of revenue, and (2) by means of enhanced or new taxation or both. As to the first, the Government annually reaps automatically the benefits necessary from the natural growth of revenue. But it is a matter of serious consideration whether taxation can be further levied. If it comes to that, why, it is well-known that the principal revenue, apart from land, stamps, excise, comes from customs duties. Why should not the import duty on piece-goods be raised to 5 per-cent. and so on sugar and metals? The country will joyfully acclaim such enhancement *if it is really to be ear-marked for fresh capital on*

public works alone and no other. Swadeshism also will be helped. But it goes without saying that the very first people who will denounce the proposed increased import duty on the three principal articles of imports will be those identical Chambers of Commerce who are crying out for more railways, more funds for Gold Standard Reserves, more everything for the promotion of their trade as if they were the salt of India and the 300 millions counted for nothing. The Free-Traders would also scream aloud. But even apart from Free Trade it might happen, and there could be no doubt about it, that as Swadeshi activities in all directions multiplied, the imports of these commodities might undergo serious diminution. *Pro tanto* the duties derivable therefrom at the present rate of 3½ per cent, would be diminished. The only other tax which might be well increased would be the Income Tax. But that would also make these identical bodies vociferate and scream aloud, *and the Government would never find the necessary courage to stand fast by its own taxation.* Thus, it is very easy for the Railway Committee to talk with a light heart about raising taxation for purposes of having a larger railway capital. But we go a step further and challenge their premises. *Why* should there at all be such a large outlay of borrowed capital ? It is not a sound or wise financial policy to act that way. If private individuals have to cut their coat according to their cloth, States also have to do the same. And having regard to the comparative poverty of this country it would be a crying injustice to raise taxation simply for the purpose of finding extra railway capital. The fact is that the entire financial policy in respect of railways hitherto pursued by the Government

is unsound and not at all conducive to the true interests of the tax-payers who are never consulted and uniformly neglected. To us it is a matter of grievous disappointment that the Railway Committee did not go into the *policy* itself; but, perhaps, it was not its fault seeing that its scope was framed cut and dry.

VII.—LOSING RAILWAY AND SEPARATION OF RAILWAY FINANCE FROM THE GENERAL FINANCES OF THE EMPIRE.

We may now deal with the other suggestions formulated by the Railway Committee in the remaining paras of answer No. 3. In paragraph 24 it is observed that the development of the Indian railway system would be expedited were arrangements made that some lines now dependent on Government for their capital in future met their requirements without Government intervention or assistance. There are at present four lines directly worked by Government, namely :—

North-Western	3,569 miles
Easter Bengal	1,271 ,,
Oudh and Rohilkhand	1,292 ,,
Jorhat	32 ,,
	6,164 miles

It should be remembered that the total capital outlay on the North-West railway, up to the end of 1907, was 62 crores! No railway in India has cost such a gigantic sum and no railway had been till very late a *loss* to the State, at any rate, till 1904. It had managed completely to lose 25 crores! It is a kind of harpy in Public Works, for the more you spend upon it, the more it demands!

It is ever hungry of capital, for all the blessed purpose of its "further development" as the astute but irresponsible managers of our precious State railways for the time being continually say. Having cost 62 crores already and having burdened the tax-payer with 25 crores more by way of loss in its operations throughout its whole existence, it has just made a *net gain* of 2½ crores in 4 years. And this whilom White Elephant of the Indian Railway system, which reflected no credit on its past management, is still sought to be developed by the sapient Committee by feeding it with fresh capital of Heaven knows how many crores more! Is there no one in the Viceregal Legislative Council or Parliament to obtain a full and complete statement of the financial history of this shark of a railway which has eaten away so long the substance of the State? It would be well before its further development is taken on hand to interpellate the Secretary of State on the following points:—

(*a*) How much has been spent on the *Military* part of the railway to date? and how much loss has it incurred to the State from its commencement?

(*b*) How many more miles of this railway the State intends to construct for strategical and military purposes? How much more capital will be required for such extension? When such extension may be completed? When completed, will finality be reached? *Indeed, is there to be any finality at all as far as this railway is concerned?* Or, is the State to continue pushing the line further and further until it has reached "the Durand Line," aye, Kabul itself?

(*c*) What has the Commercial Section of the Railways cost up to date? What gain has it made for the State? What are its future prospects? Is it likely that it will leave to Government a substantial profit annually?

(*d*) Does the Government contemplate further extension of the Commercial Section? If so, how many miles and at what cost? Has it been carefully computed that the outlay will bring in more grist, by way of net gain, to the State mill? Indeed, is the extension worth going into at all? Or will it be the case that with increased capital outlay the law of diminishing return will assert itself?

We should be delighted to see the India Office honestly answering the questions without its customary equivocation. There should be no vague or delphic response. Our own conviction, which is growing more and more confirmed every year as we carefully go through railway finance, such as is manufactured for the public by its astute accountants, is that nobody in India, outside the Railway Board, knows anything with absolute accuracy about the Indian railways in their financial branch. *There is a studied effort to keep the public in a condition of chaotic darkness* which is night only too visible. Imagine, when such is the want of knowledge, in India, what must be the "colossal" ignorance of the British public, aye, even of that *limited* public, mostly retired Anglo-Indians and some Trustees, who have their monies invested in Indian railways, State or any other managed by companies. There seems to be a regular guild, a close freemasonry who alone have the *inner knowledge* and are the

repositories of the dark secrets of railway finance. Such being the fact, and we would stand corrected if it is not, we must entirely disapprove of the glib suggestion breezily made by the Railway Committee, that one or more of the four railways above mentioned "might be leased to companies on the basis" described in para. 24.

Then in paras. 26 and 27 the Committee discuss other financial suggestions made by Sir F. Upcott, the Chairman of the Railway Board and by Sir Alexander Henderson, Chairman of the Great Central Railway Company. Both suggestions have their defects and the Committee have wisely rejected them.

The last matter in reference to answer No. 3 dealt with by the Committee is the one about Indian railway finance being kept entirely separate from the general finances of the Government of India. It has been brought to the notice of the Committee "that the capital to be provided for railway purposes should be determined solely with reference to the requirements of State railways, and that the decision should not be influenced by considerations relating to the general financial position of the Government of India." The Committee seem to be alarmed at the suggestion and pronounce it as impracticable. But to us it does not seem to be so impracticable as is tried to be made out on the ground that it is on the *general credit* enjoyed by the finances of the Government of India that railway capital is to be found. "The Government must of necessity regard its obligations as a whole, and in determining to what extent it will allow its credit to be pledged in order to raise capital for railways it must take account of its present and future require-

ments". This argument is not convincing. No doubt, the Government regards its obligations as a whole and determines what capital it should annually require. Were the Government, in so regarding, to take *all its* other imperative obligations to the tax-payers into *fair consideration*, there would not be so much objection. But what is the fact? This only:—That the Government *does not impartially consider all its obligations*. It receives most favourably all projects for all kinds of extension, ill-considered or well-considered, but *irrespective of the ultimate burden on the tax-payer of the annually growing debt on public works*, as urged by the European Chambers of Commerce *possessing not a pie's worth of stake in the country*. In so listening, the Government, we expect, has *never cared for the interests of the people of India at large*. Its wishes and sentiments, its wants and requirements, however pressing and however urgent, have been almost uniformly treated most churlishly or not listened to at all. We challenge the Government to publish a list of all the railways constructed, say since 1874, showing those: (*a*) which were so built on its own undivided responsibility; (*b*) which were taken on hand at the instance of the Chambers of Bengal, Bombay and Madras and (*c*) which were taken at the suggestion of the *Indian public*. It should also publish for general information the suggestions made to it from time to time by public bodies directly or through the Indian Press or through the Congress for improvements in the *passenger* service, third class specially, and the total cost of such improvements. We make bold to say that when such information is honestly given it will be discovered that there is *no manner* of comparison as to what the Government of India has done at the instance

of the Chambers of Commerce and what at the suggestion, prayers and memorials of Indians themselves either directly or through the Indian Press. Therefore, it is wrong to say that the Government considers its *obligations as a whole.* It does nothing of the kind. It only considers its "obligations" so far as it tries to respond to the cry of the foreign Chambers of Commerce, oftener than not *to the great detriment of Indian interests* pure and simple. But the matter does not end there only. There are the large irrigation works recommended by the Irrigation Commission. Almost all are hanging fire save the Godavery and Nera projects. The moment a Chamber agitates for its own pet line, a new or a branch line or an extension, the Government of India obligingly meets its demands. If it is not done the suggesting Chamber pulls the wire from behind. Immediately its organs begin to scream aloud and howl. Then the same kind of wire-pulling is practised in the interested financial papers in England. Aye, sometimes even a deputation waits on a Secretary of State! If it is a Lord Hamilton or a Lord Midleton or a Viscount Cross immediate instructions are issued to make the agitating body *Khoosh.* More: It has happened that when there is a conflict of trade industries or there is immense trade rivalry between the Chambers themselves that Chamber which is the most potent and has the longest ear of Government carries the day. The East Indian Railway is the most influential and pampered one and it has in the past kept away other competing lines poaching on its traffic route. And there is the latest instance of the Nagda Mutra railway, agitated by the Bombay Chamber which was disallowed for years to be built till the Government was *forced* into building it. Also there is

evidence on record that the Bombay Chamber itself bitterly complained that because the Calcutta Chamber had the ear of the Imperial Government by *reason of its being on the spot* that more than one suggestion of its own has been disallowed or held in abeyance indefinitely. But what about the irrigation works deliberately recommended with the view of avoiding as far as practicable the famine conditions which began to prevail in many an insecure area the moment a monsoon fails? Who agitates on behalf of the poorest masses? Those who do are never listened to. The Congress for years has passed resolutions urging on Government the construction of large irrigation works. But if the Congress as a body has hitherto been treated with the scantiest of scanty courtesy or no courtesy at all, and when even a reactionary Viceroy refused to receive officially an experienced President of the Congress, who had known more of Indian wants in his lifetime than the most exalted authority ruling here for five years, to place before him the principal demands of the Congress, what are we to say of its specific resolutions on such topics as the urgency of constructing irrigation works which yield a profitable return at least of four per cent. on the capital outlay when the combined system of railways, costing well-nigh 400 crores, cannot gain for the State even now more than a miserable one per cent. and that too 58 years after their first introduction into the country! Practically, therefore, it is pure sophistry on the part of the Railway Committee to talk of the "whole obligations" which the Government of India have to take into consideration.

But there is a *positive advantage* in the recommendation made to keep railway finance separate from the

general finances of the country. Take for granted that no railway in India had been a State concern either directly or indirectly. What would have happened then? Is it not clear that there would have been no such thing as "Railways" as a heading in the annual budget as there is none in the English budget. Where then is the objection to keep it separate even now? As a matter of fact the annual financial position of the country *is at present partly obscured* by the introduction of railway finance in the budgets. Treat it separately and our Finance Ministers will not find it an easy task to balance their estimate of revenue and expenditure and evolve surpluses. The railway account, like what the opium account was in the past, is a kind of *deus ex machina* for manipulating the annual budget. We are now getting rid of the opium receipts, because these now annually yield a diminishing revenue which will soon become extinct. Why not banish this railway bogey? The Government of India will then be put on its mettle how to provide the means for the construction of its railways at breathless pace. Its credit will then not depend on the general condition of Indian finance but *on the actual paying or unpaying condition* of the railways themselves, just like ordinary railways owned by public companies. Such concerns get capital with ease or difficulty according to their intrinsic, and not *meretricious*, financial position. The Indian railways obtain financial credit by reason of their meretricious position owing to railway finance being merged in the general finances of the country. The suggested separation ought to have been made from the very beginning. We should have then seen railway finance on a sounder and healthier footing, for without it nobody

would have given it credit, and it would never have found enough capital to please the Chambers of Commerce who are principally responsible for having plunged the country into this heavy burden of 400 crores of public debt *against which no provision, save in a few instances, is yet made for wiping it off by means of an annual automatic sinking fund.* For these several reasons we, for one, would be glad even now to see railway finance seperated from the general finances of the country. The advantage would be immense, while the disadvantages will be next to nothing. The Government will then get the capital it wants according to the true condition of its railway finance. It would hardly get 5 millions a consummation which in the present economic condition is to be devoutly wished for the public works debt will not be increased so fast annually as at present. Of course, the self-opinionated and omniscient railway bureaucracy would treat this argument lightly or with official contempt, but none outside that omniscient and infallible heirarchy save, of course, the screaming Chambers. Every businessman of experience would pronounce it as sound and practical. So long however, as there is no trenchant and efficient outside criticism on Indian railway finances, both here and at home, the railway bureaucracy will be able to indulge in their wild cat schemes of all sorts. What recks it to them? They are not the permanent taxpayers of the country. On the contrary they are the taxeaters. The annual burden of the heavy interest charge on the growing railway public debt will not be borne by them. No wonder these should with a light heart pile Ossa on Pelion of railway debt, earn the kudos of their own caste, have in the bargain a handle or a tail to their

names, and smoke for the rest of their lives in their native retirement the hooka of a liberal pension, besides fair fees as Chairmen or Directors of the Railway Companies with which they themselves had a great deal to do in India.

VIII.—NECESSITY OF FIRMLY RESTRICTING EXTENSIVE AND COSTLY RAILWAY CONSTRUCTION AT BREATHLESS PACE.

We now come to the response which the Railway Committee have made to the fourth question namely, towards what objects should additional funds be applied? The witnesses who were questioned on the point all agreed that the soundest principle was to equip and improve existing lines in priority to constructing new lines. This principle the Committee endorse and emphasise. Having regard to the fact that the colossal sum of 400 crores, if not more, already locked in all sorts and systems of railways in the country the whole of which save an infinitesimal portion is borrowed, with hardly any statutory or other provision for the repayment of that huge capital by means of an annual sinking fund, the principle laid down is certainly one which commends itself as much to our common sense as to our economic conscience. But the question comes uppermost to our mind, whether this principle will *practically hold sway*? Does past experience in the matter of new railway construction and extension at breathless pace, in response to the agitation of the different foreign Chambers of Commerce, which have made India their "happy hunting ground" for years past, give us any guarantee or assurance that the principle will be faithfully adhered to? *Indian* opinion is unanimous on the point. We must now

pause and take a long breath in the matter. What is now wanted, and wanted most urgently, is not railways but irrigation works. But, in spite of the Irrigation Commission, and in spite of its own Resolution on the recommendations made in the report of that body, the Government had till late strangely displayed the utmost, we might say, inexcusable, indifference to prosecuting with vigour the several works proposed by the Commission. It can find 10 and 15 millions annually for new railway hither and thither, the utility and expediency of which may be reasonably doubted, but it can hardly afford even 2 millions per annum for irrigation purposes. Take an *Indian plebescite* to-day on the subject whether irrigation works or new railways and extensions are a *first and pressing necessity*, and we say without hesitation, that there will be but *one voice to a man* that the former were a *first necessity and should be energetically, wholeheartedly and liberally prosecuted.* There are renowned capitalist engineers, who might without the interference of the peddling P. W. Department, be well entrusted with the works, say, at the rate of 5 million, a year. The 44 millions recommended by the Commission could be easily spent in 8 or 10 years at the utmost, but the happy consequences of such a state of affairs would be a complete change in the face of the whole country. Famines would disappear though scarcity may occasionally overtake it. But think of truly "golden harvests" which these links would reap both for the mass of impoverished agriculturists and the State itself in the shape of agricultural crops of the value of crores per annum! More. The State *now hardly earns one per cent. as net gain on all its system of railways costing 400 crores*; but at the lowest it earns 4 to 5 per cent.

net on a capital outlay of 40 crores on existing irrigation works. Common sense dictates that Irrigation works recommended by the Irrigation Commission should have absolute priority over new railways and extensions. But there seems to be a culpable indifference at headquarters to rigorously prosecuting these? The foreign exploiters only vociferate to have more railways so that they may have increased "facilities" to export the raw agricultural products, coal and manganese, but they *do not care two pence* whether or no by means of irrigation works the country should be made in the near future almost wholly free from the evil consequences, physical and economical, of famine! And since they are a potential and influential class, with equally potential and influential organs of their own, to vociferate and agitate on what *they want* absolutely regardless of the *people's own pressing wants*, is it a wonder that the Government blindly follows the lead of these alien Chambers and neglects the true interests of the people of the country at large? *This is the present situation*, and we should like to be challenged if we are incorrect in describing it. If we are right in our presentment of the existing situation, is there *any hope* at all that the Government will withhold all new projects for railway of every kind, and simply spend not more than 5 millions for the purpose of meeting the deficiencies at present to be found in pure equipment? We are strongly of opinion that if no more than 10 millions, which the country can afford *at a maximum*, are annually borrowed, say 5 millions for railway equipment, and 5 millions for new irrigation works, the whole country would be gratified. But the rub is there. At present, the Government is really *spending more than it ought to on railways*. It is *not* cutting its coat according

to the cloth it has. At times it finds that even in the very centre of the world's financing establishment it cannot borrow the maximum of 10 millions. So that it will be obvious from what has been just urged above that our query is pertinent, namely, whether the Government will faithfully follow in practice the principle wisely formulated by the Railway Committee in the abstract.

The Committee under the head of question No 4 had also to consider the policy of creating a "Wagon reserve" suggested by the Government of India. On this subject they report as follows: "After giving the matter full consideration we are of opinion that so long as the individual railways are not fully equipped with rolling stock, it would not be advisable to divert any funds to the establishment by the Government of a reserve of wagons, and it is obvious that, when every railway has been provided with sufficient equipment, the *proposed reserve will be unnecessary.* We consider it desirable that each railway should possess a sufficient stock of wagons of its own to meet all its probable requirements, *and we deprecate a measure which would tend to encourage railways to hold an inadequate stock and to rely on receiving help from outside at any time of pressure.*" This also is a wise recommendation. Only it is to be wished that while endeavouring to have an adequate stock of rolling stock, each individual railway would carefully consider what may be deemed "adequate" so that there may be no improvident or extravagant accumulation of that stock. Past experience and prospective traffic would be a certain guide in this respect. Otherwise there would be a *needless* capital outlay on rolling stock which, in all probability for 8 months of the year, would stand idle in the railway yard "eating" away the interest. The

Committee properly conclude their answer to the fourth question by saying that "to set up a wagon department of the Government of India under the management and control of the railway Board would involve a separate and costly executive, as apart from the administrative branch of the Railway Board, an innovation which we consider it would be unwise to introduce." We cordially endorse the observation.

IX.—WANTED REFORM OF THE RAILWAY BOARD—SCANDALOUS NEGLECT OF ALL INDIAN INTERESTS IN MATTERS OF RAILWAY.

We now conclude by referring to the opinion of the Railway Committee on the fifth and last question which is administrative rather than financial. This question is: Whether the system under which the Railway Board now works is satisfactory or is capable of improvement. The reply is that it is *not* satisfactory. The reasons assigned are:—that the Government of India interferes too much in technical matters and matters of detail which are indeed a great hindrance to progress. There is nothing unusual is this complaint. Bureaucratic interference leading to obstruction more or less of a provoking and exasperating character, is the bane of the Indian administration. It arises out of the vicious system of what is called "Secretariat rule." Under-Secretaries and Secretaries of Departments deem themselves to be authorities whose opinions are unquestionable. These may know nothing or next to nothing of the matters which come before them for consideration and disposal, thanks to a vicious and irrational practice. The generality of the people are apt to believe that when a "Resolution" or communique is published in the name of either "The

Governor-General in Council" or the "Governor in Council" that the one authority or the other has issued the order after considering the matter to which the Resolution refers in Council. The belief is universal. But it is not a reality save in certain important matters. What the practice generally is that a matter which refers to the Revenue department goes to the Financial Secretary or the Financial Member; a matter which refers to law and justice goes to the Judicial Secretary and his chief who is the Law Member; and so on. Papers coming up from Collectors, Commissioners, District Judges and so forth, therefore, go finally for disposal before the Secretary of the particular Department. These precious Secretaries, be they in the Imperial or Provincial Government, are generally appointed not because they are supposed to be experts but simply because they happen to be seniors in service or friends of their patrons, the Members of the Council. We think we are not wrong when we say that fully nine-tenths of the papers are thus disposed of by the departmental Secretary, of the knowledge of which the Council member is, of course, blissfully innocent. And yet when the all-powerful Secretary issues the Resolution or ukase it is in the name of the Governor-General in Council or the Governor in Council as the case may be. Thus, the fiction is maintained about these Resolutions emanating in the name of the Governor-General or Governor. Of course, in a few minor cases of the greatest importance, the member of Council personally goes through the papers and issues his "august decree." So that it not infrequently happens that while the Secretary issues an order he knows next to nothing of the subject to which it relates. Oftener than not the head of the technical department is a veteran in the service and is master of

subject. But, by a curious dispensation of the "system" of administration, the veteran has to submit his papers or case to the Secretary, oftener a younger personage with no experience. But the Secretary is the man in authority. He has his own views which necessarily override the views of the veteran. Sparrings take place, and once sparring has begun, the man in brief authority in the Secretariat, backed up by his chief carries the day. A more vicious and mischievous system of administration was never seen elsewhere. But in India you have to become acquainted with all sorts of vagaries and caprices, anomalies and autocracy. So that we are not surprised that the ignorant Secretariat of a Government sits tight on a technical department and obstructs it, either out of gross ignorance, or sheer perversity. Of course, the public suffers. But, who are the public? The autocratic Secretariats know not the public. The Secretariats are self-contained, omniscient, omnipotent and infallible. The vice thus filtrates, permeates from the top to the bottom. The minor departments themselves become self-contained, omnipotent, omniscient and infallible in turn. The different offices of an administration thus become at once autocratic and irresponsible. No wonder insolence of office becomes rather the rule than the exception. Each limb of the administration, minor or major, comes to consider himself as an "authority." Each intoxicated with his own power, fancies the public is made for him and not he for the public. Thus, this vicious "system" of administration moves in concentric circles. Is it a wonder the public suffers and patiently bears all the ills resulting from the practice of such a system?

It is not a matter of surprise that the Railway Board was treated by the Indian Government slightingly. No wonder that its suggestions were received either with scant courtesy or carelessly cast aside. No wonder the public, specially merchants, complain. At the same time it must be said that the Railway Board itself is obstructive. Many a witness can bear testimony to the fact. Altogether the more we dive deep into the under-currents of administration, whether in reference to railways and irrigation, or any other branch of the public service, it is the same old tale. The "system" requires to be radically overhauled if real national progress, tending to the welfare of the *Indian* public, is at all to be attained.

After what has been stated above in relation to the "system" the inwardness of the suggestion of the Railway Committee that *the opinions of the Board should be treated both in substance and in form with special consideration* will be easily understood. To this our own corollary, from the *Indian* point of view, is that while the Government should treat the opinions of the Railway Board, as now reformed or about to be reformed, with *special consideration*, it ought also to be the paramount duty of that Railway Board in turn to treat all proposals emanating from influential and recognized Indian public bodies and from leading organs of Indian opinion *with equal consideration*, instead of generally ignoring them as has been the case hitherto.

The other suggestions of the Railway Committee are purely of an administrative character to which we attach no importance. Our opinion is that the Government and the Railway Board are six of one and half a dozen of the other. Indian grievances receive cavalier

treatment from both the authorities. To Indians, whether it is the Railway Board or any other improved railway machinery or the Government of India, it is all the same. Of course, it would be a different matter were an experienced *Indian* merchant enjoying the confidence of the Indian public, to be appointed a member of that Board. We are perfectly indifferent to the *constitution* of the Board. Be it anything. We only desire that the Board should be *in reality* a body of *men of business experience* who are in touch with the European and Indian traders and merchants in matters of railway freights, railway passengers, railway conveniences, and *everything that pertains to the greater welfare of all classes of His Majesty's Indian subjects, without favour.* We want, firstly, a body of such *experienced men*, and not merely Civil Servants or Cooper's Hill College men who have influence to get into fat posts and berths, and, secondly, a body who will be *absolutely impartial* who will judge of all railway matters from a disinterested point of view, men who will make no difference in judging between European and Indian interests. This is the kind of Railway Board which, we Indians, want and not only a replica of autocratic and obstructive officialdom.

And now we bring the parable of Indian Railways to a close. We cannot, however, refrain from repeating our emphatic opinion that we attach little value to the Railway Committee's Report inasmuch *as all through they have ignored Indian interests as if they were non-existent.* We do not take the Committee to be a broad-minded, just, and thoroughly disinterested Providence. They had not even *one* Indian of experience in railway matters as their colleague and they did not

make the feeblest of feeble attempts to secure even a *single Indian witness* before them! It is the *permanent Indian* population of the country which, directly or indirectly, bears the whole burden of the annually growing charge on railway public debt. If any interests require to be consulted it is the interests of this permanent taxpaying population and not the interests of a handful of foreign exploiters, here to-day and gone to-morrow, who deem India to be their happy hunting ground. It is altogether an inexcusable railway policy which is eager to attend to the interests of this microscopic class but which absolutely ignores the millions of the indigenous population. In short, as in many other matters, so in connexion with railways, it is the foreign exploitor who calls for the tune but it is the indigenous taxpayer who is called upon to pay the piper. A policy so flagrantly unjust demands complete condemnation. It is another of those minor acts of financial injustice which create dissatisfaction and aggravate the sullenness prevailing in the land.

APPENDIX A.

NET CHARGE OR LOSS TO THE STATE FOR INDIAN RAILWAYS FROM 1849 TO 1894-95.

(From Appendix No. 28 of the Royal Commission on Indian Expenditure 1896-7 *Vol.* II, *p.* 225.)

		Crore Rs.
Net Charge or Loss from	1849-50 to 1858-69	... 2'10
	1869-50 to 1874-75	...24'39
	1875-76 to 1894-95	...25'35
	Total	...51'84

APPENDIX B.

NET LOSS OR GAIN FROM 1895-96 TO 1909-10.

(From the Finance Accounts of the Government of India.)

				Crore Rs.
Net *Loss* from	1895-96 to 1898-99		...	— 3'85
,, *Gain* ,,	1899-1900 to 1907-08		...	— 15'47
,, *Loss* ,,	1908-09	...	...	— 1'86
,, *Gain* ,,	1909-10	...	...	— 1'24
			Net Gain	... 11'00

SUMMARY.

			Crore Rs.
Net Loss as above	...	...	... 51'84
,, Gain ,,	...	...	... 11'00
Balance of Net Loss up to end of 1909-10			... 40'84

PREFATORY NOTE WHICH WAS ATTACHED TO THE FOREGOING CONTRIBUTION WHEN IT WAS REPRINTED IN MARCH 1912.

The lengthy debate which took place on the 26th February last, in the Viceregal Legislative Council, at the instance of the Hon'ble Mr. G. K. Gokhale, on the recent informal investigation on Indian Railways made by Lord Inchcape (formerly of the India Council and known as Sir John Mackay) by direction of the Secretary of State, under his sole responsibility, without any previous consultation with the Government of India, has prompted me to issue this brochure which is a revised reprint of the series of articles which I contributed in 1908, to the columns of the *Wednesday Review*, an excellently edited weekly journal published in the Madras Presidency. Those contributions aimed at presenting *from the Indian point of view*, firstly, a general survey of the railway policy of the Government of India and, secondly, a criticism on the recommendations made in their report by the Indian Railway Committee appointed in March 1907, by Lord Morley, the then Secretary of State for India, to inquire and report, after calling witnesses,

(1) Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade; and, if not, then

(2) What additional amounts may properly and advantageously be raised for this purpose;

(3) Within what limits of time, and by what methods they should be raised;

(4) Towards what objects they should be applied; and

(5) Whether the system under which the Railway Board now works is satisfactory, or is capable of improvement, and to make recommendations.

Sir John Mackay (now Lord Inchcape) was the Chairman of that Committee. It is not difficult to conjecture, therefore, the selection of the identical gentleman by the present Secretary of State on a recent secret and unofficial "mission," the aim and object of which are at present unrevealed.

But be the secret aim and object what they may, I cannot help thinking that the Hon'ble Mr. Gokhale has rendered a useful and distinct service to the Indian public by raising the debate. It serves a useful purpose so far as it rivets the attention of the public not on the immediate subject alone but on the larger and more vital question of the policy of the Indian Government on railway matters, specially railway finance. It is a matter of profound regret that though sixty years have now elapsed since the date of the commencement of the construction of railways in this country, say since 1848, there has not been published hitherto a complete and accurate history of Indian Railway finance. But one important tell-tale or crucial fact of the net financial result of these different railways may be stated here. Of course there have been paying railways as well as losing ones. There are

some which are losing still as may be learned from the Annual Railway Administration Report. But the final result is, that taken as a whole, it is of a most disappointing character. Up to 1910, there has been a *net loss* to the State, that is the tax-payer, of fully 40 crores of Rupees! In other words, in the State ledger, there is a *debit* of that amount. It is this colossal amount which has yet to be wiped off. The tax-payer may consider himself fortunate if it could be wiped oft in the year of Grace 1925.

But from this one crucial fact of the net financial result of Indian railways, it will be admitted that there is eminent necessity of a complete narrative of railway finance which shall inform us as to what the gain or loss there has been from year to year with the *causes* which have led to it. The necessity is the more obvious when regard is had to the fact of the colossal capital outlay already incurred, namely, 439 crore rupees, and the burden of interest charge entailed on the annual revenues—revenues which on the one hand are threatened with considerable diminution by reason of the impending extinction, or next to extinction, of the opium receipts from the annual budget from 1914, and revenues, which, on the other hand, are found to be admittedly inadequate to meet the growing expenditure on education, sanitation and other objects of utility to which the Government are already committed.

It cannot be denied that during the last few years there has been a larger capital outlay on railways owing to the programme of further construction, equipment and extension at a breathless pace, that is to say, at a greater pace than is warranted by the necessities of the country and by the ability of the State. None disputes the utility of extended railways. But that utility in any country

must be strictly limited by its financial strength. Utility is one thing and financial ability is another. It is not possible for India, an admittedly backward and poor country, to imitate the example of so progressive and wealthy a country as England or the United States. India's need must be measured by India's financial ability, that is, the ability of the tax-payer to bear the burden of heavy annual interest charge on capital borrowed for public works, A wise State, conscious of its financial condition. would pause and take breath before now and again entering on large enterprises demanding colossal borrowings. India is certainly one of those States which demands all the financial sagacity that her helmsmen may command. However great the need of new lines or extension of old, or of additional development and equipment, they must cut their coat according to the cloth. And even then, care has to be taken which utilities demand more urgent attention. The Government might well be asked whether a larger sum during the last 20 years might not have been more wisely and economically spent on Irrigation works. Again, there are persons who think that had even half the amount recently borrowed for railway purposes been spent on diminishing to a reasonable extent the illiteracy of the masses and the death-rate of the country owing to terribly insanitary conditions, the people would have been infinitely better off than with these new railways, the absolute utility or even urgency of which is open to serious challenge. Will it be denied that the Government have done precious little in respect to irrigation, education and sanitation, compared with what it has done for railways ? The people at large might have been infinitely better off agriculturally, socially and intellectually by reason of

the larger sums which might have been wisely spent on those objects instead of on railways merely which only a microscopic minority of foreign but influential traders have uniformly clamoured and successfully agitated for. It must be ruefully acknowledged that the policy of the Indian Government in the matter of the welfare of the masses has been far from statesmanlike. A powerful and interested class, a minority, has been pampered at the expense of the masses to whom less than proper justice has been done in the matter. Is it a wonder that, under such a deplorable policy of favouring a particular class, there were foreign traders before the Mackay Committee in London in 1907, who hesitated not to urge on that body the expediency of having as many as a hundred thousand miles of railway in the shortest possible time! We gasp for breath at this "very large order," so to say. When such an opinion is light-heartedly expressed without any serious thought of the colossal financial capital which would be required for the lakh of mileage we are tempted to question the sanity of those who coolly suggested it to Lord Incheape and his colleagues. But what do these foreign merchants care whence the monies are to come and how the annual interest charges are to be met? To them sufficient for the day is the construction of a hundred thousand miles of railway at lightning speed. The fact of this very opinion just referred to having been expressed informs the Indian public with what persistency and ability these interested merchants press their views on the Government for building more railways at any cost! One cannot refrain from observing that it is chiefly owing to the cry of these classes alone that so many railways have been built, never mind whether they pay or do not pay. It was the

deputation of these merchants who had waited on Lord Morley in March 1907 which led his Lordship to order the further construction of railways at accelerated speed. Is it not permissible to enquire what success a deputation of Indian merchants would have achieved had it waited on Lord Morley? There is no need to wait for the answer. But it is notorious how these commercial "agitators," specially the Bengal Chamber of Commerce and their friends in London ply their suit and succeed with the Government. Is it difficult to conjecture that it is the friends of the different European Chambers, supported by the Indian Railway Companies, Directors in England, who must have been behind the *purdah* in urging Lord Crewe to send down Lord Inchcape on his "mysterious" mission?

I repeat that it is a matter of profound regret that there is no single authoritative book published on Indian railway finances to make the Indian public acquainted with its history. That history, I venture to say, is of a gruesome character, reflecting little credit on the Indian Government and the different railway companies. In the scattered official literature on the subject, however, there is enough pabulum to ruminate upon for those who would care to investigate it. They will find ample corroboration of the statement just made. But of what use enlarging on this diagreeable theme?

It is high time, however, that the Government thoroughly revised its railway policy, specially the financial branch of it, in harmony with the sentiments and views of the Indian public which has been hitherto deemed a negligible factor more or less. Now that Mr. Gokhale has raised an important preliminary point, it is to be fervently hoped that continued attention will

be paid to the imperative necessity of conserving railway finance by him and his able non-official colleagues in the Viceregal Legislative Council. The time is ripe for urging on Government the wisdom of thoroughly modifying its railway policy. What is wanted is moderation in the pace at which railway development should proceed in the immediate future—moderation compatible with the existing financial situation, the burden laid on the shoulders of the tax-payer and the greater necessity of spending larger and larger sums on education and sanitation than even those advocated in the Budget just published. It may not be unuseful to remind the public that the colossal system of existing railways has entailed a capital outlay up to 1910 of 439 crore rupees. Ten years ago it was 339 crores. So that they have added 100 crores during the interval, say 30 per cent. But just consider the financial operations during the same decade. Gross earnings increased by 36·20 per cent, while gross working charges 60 per cent! Interest charge, again, which stood at 4·30 crore rupees in 1901 rose to 6·127 crores in 1910! Thus while the annual average in the first quinquennium came to 4·70 crore rupees, in the second it came to 5·75. Is there not a sufficient case, I may inquire, for honourable members to raise a discussion on this question of railway finance at the meeting of the Council at the coming budget debate? It may also be useful to raise the question of the expediency of separating railway revenue account from the general revenue account. I need not say it would result in a better check and control over railway finance than it has ever been during the last 50 years and more. In the past, opium receipts oftener than not played the *deus-ex-*

machina with the annual budget. Opium receipts have now-a-days given place to railway account. It is this account principally which spells a surplus or deficit in the annual budget. The time has come to lay low this divinity also. It all depends on the public spirit, the courage, and the competence of the honourable non-official members of the Viceregal Council how they tackle this subject. Let us hope the coming debate may witness the first serious campaign of non-official crusade against improvident and uncontrolled Railway Finance. The breathless progress of the Railway Rake demands a strong curb and effective control.

INDIAN MILITARY EXPENDITURE

(A paper prepared for the Deccan Sabha, Poona, in 1911.)

INTRODUCTION.

At this juncture when, in response to enlightened Indian opinion, as voiced by the people's representatives in the Viceregal Legislative Council in March last, the Government of India, in the Finance Department, is busily engaged in the arduous task of investigating into the details of our overgrown public expenditure, with a view to economy and retrenchment, it would not be unuseful to rivet public attention on one important branch thereof which now absorbs almost the whole of the net land revenue of the Empire. That revenue, according to the latest parliamentary return, stood in 1909--10 at 20·55 million £ or 30·82 crore rupees exclusive of that derived from forests. On the other hand, the net expenditure on military services, namely, the army, marine, military works and special defence works, stood at 19·11 million £ or 28·66 crore rupees. Ten years ago, the net land revenue stood at 16·73 millions sterling, while the net army charges amounted to 15·47 millions £. Accordingly, land revenue has increased during the interval to the extent of 22·8 per cent. against military expenditure which has increased 23·53 per cent. If, therefore, we say that military expenditure has mounted during the period at a faster speed than land revenue, we shall be strictly giving expression to what is the bare truth. Of

course, we are perfectly aware of the reasons urged in justification of the increase as more specifically outlined in the annual Financial Statement. But their soundness or unsoundness could only be ascertained by impartial experts outside the pale and influence of our Indian Military bureaucracy. None, however, will have the temerity to deny that sufficient grounds exist for investigating into the details of the army charges with a view to finding out how far there is room for substantial retrenchment. After all, it should be remembered that an annual heavy expenditure on an army on a warfooting in times of peace is really an economic waste. A poor country like India can never afford the luxury of such wasteful expenditure which at the best is unproductive and a great bar to that healthy economic development which the Government and the people are most anxious of promoting. It is said that the costs annually incurred on an army on warfooting is a good "premium of insurance." But even such a premium, let it be borne in mind, has to be incurred in proportion to the ability of the country buying the security. There is such a thing as underwriting a remote risk at too exorbitant, if not "killing," rate. In ordinary life, no individual could afford to insure his life or property at a premium which he cannot afford unless he wishes to incur a heavy debt or go into insolvency. There is a certain well-defined limit in this matter. To go beyond it is in reality to waste the assets of a people. Accordingly, to maintain a costly army, in times of piping peace, on a warfooting, is really a policy of waste, altogether inexcusable in a country like India, admittedly poor in comparison with the poorest countries of the West. The expenditure so incurred could be more wisely

and profitably utilised instead for the greater moral and material progress of the people. Scores of objects of popular utility remain unaccomplished by reason of the necessary lack of funds. But while funds in ever-increasing amounts have been and are invariably found for army expenditure, this excuse about the want of the eternal pence for useful public objects is pharisaically urged by the Government—say, for such objects as education and sanitation and for the fostering and development of industries and manufactures which create wealth. The history of Indian military finance from 1885 to date furnishes the amplest evidence of the fact just stated. Look at the sums in increasing amounts annually spent on that expenditure and contrast them with those spent on pressing objects of the highest public utility. As the late Sir Auckland Colvin and Mr. (now Sir Courtenay) Ilbert observed in their joint minute of dissent of 14th August 1885, a minute to which I have made reference at length in the sequel, "a standing army which is larger than is necessary for home requirements will be a tempting and almost an irresistible weapon of offence beyond the border." The imperative necessity under the circumstances of curtailing army expenditure on a war footing in times of profound peace must be apparent to any person who cares to bestow some serious thought on the subject. While the luckless tillers of the soil, to be counted by 20 crores, work hard, year in and year out midst abundance or scarcity which spells their prosperity, or adversity, and pour into the State treasury fully 30 crore Rupees per annum, the product of their incessant toil, here is the Government lavishing on its pampered army of only $2\frac{1}{4}$ lakhs, a thousandth part of the agri-

cultural population, the same 30 crores! and yet that authority is never tired of proclaiming *urbi et orbi* that the land revenue is the backbone of the country's finances! If that be so, do not commonsense and prudence alike dictate that such a backbone should be conserved and made stronger instead of being weakened and wasted in the manner that it is being constantly done? It will, therefore, be readily admitted, that no branch of public expenditure at this juncture stands in greater need of a fair and reasonable retrenchment than the overgrown expenditure of our army.

FULL INTENSITY OF GROWTH OF ARMY EXPENDITURE.

So far reference has been made to the fact of the growing army expenditure which eats away the substance provided for by the labour of the poorest masses, tillers of a soil far from rich. But this growth during the last ten years gives but an inadequate idea of the unproductive expenditure. If we are to emphasise the imminent expediency of retrenchment at this eventful crisis, when the Government finds itself at its wit's end to bring back an equilibrium between revenue and expenditure, we must travel back further afield and endeavour to apprehend the full intensity of the growth since 1885-86. That memorable year first saw the commencement of a new foreign policy, and, consequently, of that larger army expenditure which is now acknowledged in all disinterested quarters to be intolerable. During the preceding years, say, from 1861-62, the process of the consolidation of the Empire was going on. Retrenchment and economy of a severe type were strictly enforced, thanks to the economic conscience of such vigilant and argus-eyed watchdogs of finance and Sir John (afterwards

Lord) Lawrence, Lord Mayo, Lord Northbrook and Lord Ripon. The work of consolidation was fully accomplished by the year 1871-72. Between that year and 1876-77 the net army expenditure had averaged 14·50 crore rupees. During the next few years the country was unfortunately at war with the Amir of Afghanistan. It averaged 15·41 crore rupees. In 1880-81 it rose exceedingly high, say, over 21 crores, owing to the disasters which fell British arms in the fresh campaign which had to be embarked upon by reason of the murder of Louis Cavignari, the British Plenipotentiary at Kabul. The war expenses were all adjusted and paid for by 1882 when the Government of Mr. Gladstone gave a large contribution in aid thereof. Lord Ripon's Government with Major Sir Evelyn Baring (Lord Cromer) as Finance Minister, was able to bring back military expenditure to 16·50 crore rupees, after having given substantial relief to the tax-payers by a reduction of 8 annas per maund of the salt duty and by the abolition of all import duties save on liquor and arms.

The growth of the army expenditure then from 1884-85 may be exhibited as follows :—

	Crore Rs.
1884-85	17·05
1885-86	20·06
1890-91	21·09
1891-92	22·66
1893-94	23·53
1894-95	24·31
1898-99	23·05
1899-1900	26·44

It will be noticed that the first big jump was taken in 1885 86. From 17·05 crore rupees during the preceding year, it mounted up as high as 20·06 crore rupees which was an increase by one bound of fully 3 crore rupees. The year, it should be remembered, was the memorable one which witnessed the warlike activity induced by the Penjdeh "incident" and the expedition immediately after that event to Upper Burmah for the acquisition of the kingdom of the ill-fated King Theebaw under divers hollow pretexts which might be profitably learned from the Blue Book on that subject. As if that increase of 3 crores was not enough the expenditure was allowed to run higher and higher till in 1899-1900, it rose to 26·44 crore rupees. In other words, in thirteen years more, the increase amounted to 6·38 crore rupees.

The next expenditure between 1900-1901 and 1909-1910, was as follows :—

			Crore Rs.
1900-1901	...	...	... 23·20
1901-1902	...	...	... 24·24
1902-1903	...	...	... 26·44
1903-1904	...	...	... 27·21
1904-1905	...	...	... 31·03
1905-1906	...	...	... 29·50
1906-1907	...	...	... 30·25
1907-1908	...	...	... 28·86
1908-1909	...	...	... 29·40
1909-1910	...	...	... 28·66

The annual average amounted to 27·87 crore rupees which is in excess of 1·43 crore of that for

1899-1900. But if we take that the expenditure fairly stood at 23·20 crore rupees at the commencement of the century, then the growth in the last net years. amounts to 5·46 crores or an increase of 54·60 lakhs per year! Thus, the real intensity of the growth may now be gauged. In 1884-85, the expenditure stood at the reasonably moderate figure, 17·05 crores. In 1909-10 it stood at 28·66 crores or an increase of 11·61 or, say, at the rate of nearly 46·44 lakhs per annum. We might, under the circumstances of the growth just described, very well presume, that were the Government to sound enlightened public opinion to-day by means of a plebescite on the particular expenditure which it should deem well suited for a substantial retrenchment, there could be no two opinions that it would be in favour of the overgrown army charges which absorb almost wholly the net land revenue of the empire. The industrious ryot is taxed in order to provide the needed "food for powder."

CAUSES OF THE INCREASE.

I have already observed than the colossal increase has been sought to be justified year after year. Divers reasons have been assigned for it; but the soundness or unsoundness thereof, I repeat, can only be ascertained by impartial experts. These increases have been incurred, according to the annual financial statement, for a variety of purposes, such as warlike expeditions on the frontiers and beyond the statutory boundaries of India as defined in the Parliamentary legislation of 1858 for the better Government of India; on the increase in 1885-86 of 30,000 troops 10,000 European and 20,000 Indian, against which all India protested; on the construction of a larger number

of military roads and defence works, apart from that of strategic railways, the cost of which is not included in the expenditure; on continual better equipment so-called of the army in general by way of arms and ammunitions, —arms and ammunitions sanctioned and obtained to-day to be rejected as obsolete or not quite up-to-date to-morrow and the day after; on pay and pensions of the European branch of the army; on pay and pensions of the Indian branch; on mobilisation, the cost of which after being declared in black and white as non-recurring has been off and on incurred under a variety of pretexts, in hatching which the Military Department is, of course, an expert; on a score of minor objects of supposed military efficiency or utility; and, last, though not least, on what are known as the home military charges demanded in the spirit of Shylock by that masterful and omnipotent organisation known as the British War Office—charges or exactions of a permanent character, to be computed by lakhs of rupees against which the Government of India itself has repeatedly entered vigorous remonstrances but in vain.

GROWTH DEMANDS SEARCHING SCRUTINY.

But be the reasons what they may, justifiable or unjustifiable, sound or hollow, there can be no two opinions that the army expenditure has steadily grown to a colossal figure and that at a faster speed than the growth of revenue which now demands the most searching scrutiny and overhaul for purposes of reasonable retrenchment and economy without impairing its efficiency, though unfortunately the public have never been informed exactly in what that efficiency is supposed to consist. Each Commander-in-Chief seems to have his own notions

of efficiency. What one militant Amurath has laid down as a standard of efficiency is rejected by his successor. Thus, the standard of efficiency has been a shifting one. It has fluctuated with the views of the head of the military department for the time being. Were the Finance Department to go minutely into the question, it is to be feared that it will have to lay at the door of this shibboleth of efficiency many an expenditure that has been wasted in the past. It is exceedingly doubtful whether it will undertake a task so disagreeable. We have a vivid recollection of the way in which the majority of the Welby Commission under the dominant influence of the War Office and Treasury officials who were its members, tried to explain away, most apologetically, of course, this branch of Indian public expenditure. Their report so far was extremely disappointing, nay, against the weight of the convincing evidence, submitted with a variety of statistics adduced by the Government of India itself, and, also against the weight of the evidence of the Indian witnesses and the Secretary of the British Congress Committee in London.

CRY FOR RETRENCHMENT.

Now, it may be observed at this stage that the public demand for a reduction of the growing army expenditure is not a subject of to-day or yesterday. The Government has been appealed to and memorialised time out of number during the last quarter of a century. It has been *the one* theme of continuous agitation and discussion in the press and on the public platform all over the country since the inglorious days of the Penjedh "incident" and the forcible seizure of Upper Burmah. Many a leading

public body has petitioned the Government here, and occasionally even that highest Court of Justice, the British Parliament, which unluckily for us has for years relegated to Providence the trust which Providence had confided to it for our better welfare and greater contentment. The Congress, too, as voicing all shades of responsible Indian public opinion, has from the very day of its birth continued to attract the attention of the governing authorities to the subject in its Resolutions. Again, in the Viceregal Legislative Council, our representatives, from 1893 to date, have consistently protested against the growing expenditure and appealed for a reasonable retrenchment. It will be thus perceived how much this dead weight of the military octopus has been felt by the tax-payers and for what a prolonged period.

TWO FUNDAMENTAL CAUSES OF GROWTH.

(1) Amalgamation Scheme of 1859.

(2) Change of Policy.

Without entering into the details of the growth or animadverting on the injustice or justice of many a charge, we may endeavour to ascertain the fundamental causes which have largely contributed to the expenditure which has now assumed such colossal proportions and which, if allowed to grow unchecked in time, is liable to plunge Indian finances in the most serious embarrassment. These are: (1) The fateful army amalgamation scheme of 1859: and (2) the change of policy of the Government of India in relation to the frontier and transfrontiers since 1885. As to the amalgamation scheme, it is superfluous at this time of the day to describe it. Sufficient to say, it was

forced on the Government of India in 1859 by the Home Government against the almost unanimous opinion of the most trusted and experienced British officers who had served for a lifetime in the army in this country, notably General Sir G. Balfour whose vigorous condemnation of it may still be read with profit in the evidence recorded by the East India Finance Committee of 1871-74. The net result of that fateful scheme has been that lakhs upon lakhs have been claimed and exacted by the British War Office for a variety of purposes, often of a most unfair and unreasonable character, which have from time to time formed the subject of vigorous remonstrances by successive Governments of India and by many a Secretary of State. These unjust exactions have not been a little fruitful in disturbing the estimates of Indian Revenue. And it is evident to those who have fully studied the financial evils of the greatest magnitude which have flowed from this onerous scheme during the last 50 years and more, that lakhs upon lakhs will continue to be claimed and exacted by the rapacious British War Office in the future till the hardened conscience of England in this matter has been aroused by some great parliamentarian in the House of Commons and the scheme knocked on the head.

Before the direct government of the country was assumed by the Crown in 1858, the European branch of the Indian army, it should be remembered, was partly recruited in this country and partly in England. Its combined strength at the outbreak of the Sepoy Mutiny was 39,379 British and 214,985 Indians troops. After the close of that Mutiny it was decided that the Indian army should be recognised on the basis

principle of one European soldier to every two Indian. The entire organisation of the army was to be directed from England by the War Office. Whatever changes took place in the army organisation these had to be adopted here without one if or but, without counting their cost and without a consideration of Indian conditions which are so widely different from those of England. In short, the Indian Government was to be deemed next to negligible and the Indian tax-payer never to be thought of. Is it a wonder that such an one-sided and unfair scheme was condemned *in toto* by Indian military experts from the very day of the amalgamation? The exceedingly burdensome nature of the scheme was fully inquired into by the East India Finance Committee, consisting of members of both Houses of Parliament, who recorded evidence on Indian affairs from 1871 to 1874. No member thereof was more assiduous in getting at facts, and searchingly sifting them to the bottom than that great friend of India, the late Professor Fawcett. Sir Charles Trevelyan, who was Governor of Madras and afterwards Finance Minister in 1865, observed in his evidence on the scheme, that "it was based on a principle which has been found to be extravagant and crushing in practice." Mr. Fawcett himself after having ably mastered the full details of this "extravagant and crushing" scheme, condemned it in the following scathing terms:—"A few years after the abolition of the East India Company, what is known as the Army amalgamation scheme, was carried out in direct opposition to the advice of the most experienced Indian statesmen. India was then, as it were, bound hand and foot, to our own costly system of army administration, without

any regard apparently being had to the fact that various schemes of military organisation which may be perfectly suited to a country so wealthy as England, may be altogether unsuited to a country so poor as India * * A partnership has been established between England and India and as one of the countries is extremely rich and the other extremely poor, much of the same incongruity and many of the same inconveniences arose as if two individuals were to join in house-keeping, one of whom had £20,000 a year and the other only £1,000. An expenditure which may be quite appropriate to the one whose income is £20,000 would bring nothing but embarrassment to the one whose income is only £1,000. The money which is expended may be judiciously laid out, but, if the man with the smaller income, finds that he is gradually becoming embarrassed with debt because he has to live beyond his means, it is no compensation to him to be told that he is only called to contribute his proper share of the expenses. His position would be the more intolerable if, like India, after having been compelled against his wish to join the partnership he is forced to continue in it whether he desires to do so or not."

FINANCIAL BURDENS OF THE AMALGAMATION SCHEME.

This is exactly the position to which India has been reduced by the mischievous amalgamation scheme of 1859. It has been in force for 52 years during which many embittered controversies have taken place between the India Office and the War Office but in which the former has hardly been ever completely successful. Heavy claims, sometimes of a most irritating character,

were preferred against India on which the Secretary of State had had to arbitrate with but little relief to the Indian revenues. More or less he was worsted by the masterful War Office with its clever "experts". Sometimes matters were of so delicate and complicated a character that a small departmental committee or a commission had to be appointed to settle the differences between the War Office and the Indian Government. One of such commissions was presided over by no less a personage of experience and influence than the late Earl of Northbrook who was Viceroy of India from 1872 to 1876. Of course, the claims of the War Office had been somehow arbitrated upon. But even then they were declared to be exorbitant if not "scandalous."

It would be asked what is the nature of the charges which have been so fruitful of a periodical investigation and the subject of so many indignant and emphatic protests by the Government of India. These might be fully learned from the numerous despatches addressed by that authority to the Secretary of State as occasions arose. But I will give here some of the most important of them. (1) Capitation allowance ; (2) depot charges ; (3) transport charges ; (4) store charges ; (5) regimental pay of officers and soldiers and their allowances ; (6) furlough charges ; (7) field and ordnance, arms and ammunition charges; (8) miscellaneous, and last though not the least, pensions to retired officers and soldiers. The total of all these, it may be mentioned, came in 1908-09 to 4·67 million sterling or, say, 7 crore rupees ! But they were not half so burdensome 30 years ago though even then, the Government of the day used to inveigh against it. For instance, in its despatch

of 8th February, 1878, it was observed, "that placed as it was under the serious responsibility of so administering the affairs of the greatest dependency of the British Crown, that while British supremacy is strictly guarded, the means of securing that end shall not unduly weigh on the people of the country, it was constrained to represent to Her Majesty's Government that the burden thrown upon India on account of the British troops is excessive, and beyond what an impartial judgment would assign in considering the relative material wealth of the two countries and the mutual obligations that subsist between them * * All that we can do is to appeal to the British Government for an impartial view of the relative financial capacity of the two countries to bear the charges that arise from the maintenance of the army of Great Britain, and for a generous consideration of the share assigned by the wealthiest nation in the world to a dependency so comparatively poor and so little advanced as India." Again, the Simla Army Commission, which was appointed in 1879 and presided over by so brilliant and able an administrator as the late Sir Ashley Eden, then Lieutenant-Governor of Bengal, and which counted among its members Colonel Sir Frederick (Field Marshal Lord) Robert and other experienced military officers serving in India, was constrained in its report to observe as follows:—Para. 185:—"We think that the position of the army employed in this country should be organised and administered with regard to the interests of the people of India, and not for the purpose of supplying defects in the system of home defences, and above all, that it should not be made the means of obtaining at the cost of India, advantages for the army

at Home which do not entirely affect the interests of the country." In its Military Despatch of 22nd May 1879, the Government of Lord Lytton observed: "A large part of the Home expenditure is for pensions, furlough allowances, the overland troop transport service and stores. The remainder is for payments to the Imperial Government on account of Imperial troops which have been repeatedly investigated, but with results we have not been able to accept as satisfactory." Two years later, the Government of Lord Ripon remonstrated on the burden of these charges in the following telling manner. Para. 44 of despatch No. 401 of 1881.—"It has to be observed that, whereas the British garrison in India has practically remained unaltered in respect of numbers and efficiency for many years past, its cost has been in course of constant increase from the various changes which have been made with organisation of the British army, changes made entirely, it may be said, from Imperial considerations in which Indian interests have not been consulted or advanced * * * It has to be remembered that charges which do not cause any very serious addition to the English estimates, and which are carried on without the least reference to India, involve very much larger charges on the Indian revenues by reason of the much more liberal allowances enjoyed by officers in the country. The conversion, for example, of the first captains of Royal Artillery into Majors gives the officer so promoted an increase of 5 shillings a day in England; in this country the difference between the pay of a Major and a Captain of Artillery is Rs. 342 a month." Later on, Lord Ripon's Government followed its previous despatch of 1881 by another, of 21 Nos. 1884, in which it gave a succinct

account of the principal increases in the Home military charges, from 1864—65, entailing on the aggregate a permanent burden of £ 800,000. The depatch said :— " These additional charges amount to more than £ 800,000 a year. Some of them were necessary for improvements; others were imposed with little or no reference to Indian wants, and in most cases without the Indian Government having any voice in the matter".

To give a fair idea of the difference merely in the pay of regimental officers in the British and the Indian army, I would give authentic figures as were submitted in a series of statements to the Welby Commission by the India Office. These will at once inform you of the cogency and reasonableness of the main argument advanced by Lord Ripon's Government as just stated above, namely that a single change in organisation or in increase of pay entails an enormous burden on Indian revenues which is hardly ever taken, into account by the Imperial Government at home.

		Monthly pay. Artillery.	
		British	Indian
Colonel Commandant	Rs.	883	910
,, ,,	,,	568	1665
Lieutenant Colonel	,,	589	1002
Major	,,	316	789
Captain, with higher rank	,,	263	417
,, without ,,	,,	231	417
Lieutenant after 10 years	,,	175	265
,, 3 ,,	,,	159	265
,, on appintment	,,	130	213

		Monthly pay. Cavalry.	
		British	Indian
Colonel	Rs.	950	1033
Lieutenant Colonel	,,	519	1437
Major	,,	393	809
Captain with higher rank	,,	289	503
,, without ,,	,,	289	503
Lieutenant after 10 years' Service		196	305
,, 3 ,,	,,	196	305
,, on appointment	,,	178	250
Sub-Lieutenant	,,	132	250

		Monthly pay. Infantry.	
		British	Indian
Colonel	Rs.	888	918
Lieutenant Colonel	,,	422	1402
Major	,,	340	759
Captain with higher rank	,,	273	445
without ,,	,,	240	445
Lieutenant after 10 years' Service		170	256
,, 3	,,	153	256
,, on appointment	,,	153	202
Sub-Lieutenant	,,	136	202

It would be seen how costly was an officer of the Indian army in 1895-96, compared to that of the British. But costly as he was in that year, it is superfluous to inform you that he is even more costly to-day owing to the higher pay since allowed and at the lower exchange of 16 instead of 22*d*. The European soldier, too, is similarly a costlier machine to-day than what he was fifteen years ago.

I may now quote another extract from the Government of India's despatch of the 20th February, 1895, in which it discussed four ways of reducing military expenditure, but was perforce obliged to say that constituted as the army was, there was no hope of effecting "any material reduction of its expenditure." All that it can do was "to endeavour to restrict the increase of the cost of the army within the narrowest limits compatible with the maintenance of the peace and security of the Indian Empire." In this despatch, the Government further observed as follows in regard to the pay of the British troops;—"The pay of the British troops serving in India is not fixed by the Government of this country. It is fixed in sterling by the Majesty's Government and India has to pay in its depreciated currency an increasing number of rupees according as the gold value of the rupees diminishes. Moreover, during nearly every alternation in organisation the British army and charges connected with the interior economy of regiments and battaries have been productive of expenditure and necessarily been followed by corresponding charges in expenditure on India." In the last 30 years the cost of these measures has amounted to £ 9,34,640, say, 1·40 crore rupees and this in one single item. But we all know that since 1895, the pay of the British soldier has been greatly augmented, so that to-day the charges under this head may be placed nearly at 2 crores at the least. The two items of the pay of soldiers and officers of the European branch of the modern army alone show how crushing is the burden on the Indian revenues, thanks to the amalgamation scheme.

Another ever-increasing and ever-recurring charge is on account of war material. Science daily advances and with the progress of science what Gladstone called "the resources of civilisation," are also being vigorously forged. War is indeed a great misfortune. The expenses incidental to it are crushing for a poor country like India. But when a large standing army is permanently maintained on a warfooting, the expenditure, it will be readily admitted, grows intolerably burdensome. It practically runs to waste. It is tantamount to the destruction of so much of the national income. So that an army kept on warfooting in times of peace is not only burdensome but most prejudicial to the economic progress of the country. Next to the pay of soldiers and officers no expenditure is more costly than that of arms and ammunition. Science yearly forges new weapons of destruction, the basal principle being to devise instruments whereby the largest number of men may be killed in the shortest possible time. So that a dreadful instrument of this nature approved and adopted to-day, becomes obsolete to-morrow by reason of a new one which supersedes it. The Indian Government having been for years alive to this disquieting, if not troublesome, aspect of expenditure has no doubt established arms factories in the country itself where it can as far as possible forge all pieces of ordnance and other smaller arms at a lower cost than that obtained from England. But neither the skill nor the resources available in the country can produce all that is wanted in order to save the cost of the heavy war material annually imported. These arms and ammunitions cost in 1895 nearly a crore of rupees. In the despatch already referred to, the Government of India, accordingly, observ-

ed as follows: "Everything connected with war material now costs more than it did, and speaking in a general way, larger supplies have to be obtained. So long as military science progresses, so long will the cost of material increase, and add to our military expenditure." And verily it has been increasing as each military budget informs us.

From the foregoing remarks it will be evident that in no way is the amalgamation scheme beneficial to the country. On the contrary, it is a huge millstone hung round poor India's neck. It is so heavy as to break its neck one day with the most unimagined consequences. They increase the pay of the European soldier and officer, and straightway India has to provide from her revenue so much additional expenditure. They increase under some pretext or another the European army, and straightway India has again to provide a larger charge which may be counted by lakhs. But the story of additional charges of a crushing character does not end here. It should be remembered that every increase in the strength of the European army signifies additional charges for both effective and non-effective services—for pay and allowances, for provisions, for clothing, for stores and war material, for exchange, for mobilisation, for transport service and so on ; also for pensions. These are intolerable charges which the army amalgamation scheme has entailed on India during the last 52 years and is still destined to entail till the country is one day relieved of this great incubus.

Such being the case the following extract from the military despatch of the Government of India of 25th March, 1890, will be perfectly intelligible in reference to

its criticism on the unctuous plea, eternally urged by the War Office, that the charges entailed on India are actual cost only and no more. Para. 7 says.—"The actual cost to the British exchequer, if calculated by a purely arithmetical method, is undoubtedly the cost of the force in the United Kingdom, which would not need to be kept up if the Empire of India did not exist, and no army had to be maintained in India; but it is nowhere proved that the charges raised on account of that force represent the actual extra cost to the British Exchequer, while there are many other conditions which would have to be considered before this method of calculation could be accepted. The difficulties in the organisation of the British Army and the necessity for inducing men to join the Army cannot be admitted to arise from the presence of a portion of the Army in India. These difficulties, we apprehend, arose from a variety of causes, which have no direct relation to India. Again, in India Office letter No. 161-W., dated 21st March, 1876, Lord Salisbury distinctly declined to accept the contention of the War Office on this head. "Nor can we accept," says the Indian Government, without questioning the statement that the Indian drafts are the first reserve for the Indian Army, and that in order to avoid employing these elsewhere, the Home Government pay £500,000 a year for the army reserve. In the first place, it must be pointed out that the regiments, batteries and drafts, sent out to India are despached during the whole of the trooping season to supply the places of men being sent home discharged to the reserve or invalided, and to make good the annual waste of life, so that the assumption of the War Office, in assuming that the 11,500 men referred to will be efficient as a "first

rererve" for India could hold good only if war were imminent at a particular moment before the commencement of the trooping season. If war broke out after the trooping season had closed, these 11,500 men would not be available as a "first reserve." In the second place, Mr. Stanhope observed in his letter of 14th February, 1888, that "it was far from improbable that the same circumstance which necessitated a mobilisation in India might also render it impossible for this country to part with any considerable portion of the small number of regular troops in the United Kingdom." We infer from this statement that India cannot reckon with certainty on receiving even these 11,500 men in case of emergency. If this inference be correct, then it seems to us it cannot be alleged with accuracy, that the reserve is kept up because the services of these 11,500 men are hypothecated to India, and generally it appears hardly reasonable to assume that in regulating the strength of the reserve of the British army, the annual drafts for India have been or ought to be counted in fixing the strength of the army reserve. We do not understand that 16,000 men are kept up all the year round: and the army reserve was instituted in order to give the British army a reserve of trained soldiers and to enable a reduced army to be maintained at home in the interests of India were in no way specially considered. And yet it is on the assumption of the character which the Government of India has proved to be inaccurate that the War Office makes an annually exorbitant charge under capitation allowance and pretends to say that the cost is the actual cost when it is nothing of the kind!

The short service system, whereby there is a more rapid change of British troops, has been similarly alleged by the War Office to be a real benefit to India The Indian Government was able to point out the fallacy of that statement also. Shorter service means more frequent transport service and other larger expenses. It was established, as that authority correctly says, "because men could not be obtained under existing conditions, under the long service system, and that the Government of the day believed that short service with reserves was better suited to the circumstances of the time than the existing system. It was no consideration for the efficiency of the army or India that asked the short service system and its suitability to the Indian requirements has been gravely questioned on more than one occasion." True, indeed, the short service was introduced because under the industrial condition of England, soldiering had lost all the attraction it had once possessed. The industries and manufactures of Great Britain offer a more remunerative and safe employment compared to the poor and insecure employment of a mere soldier. Had India been allowed to recruit its own European army in this country itself, as was the case with the East India Company, no such difficulty would have occurred and the British troops might have been raised at 50 per cent. less cost. To-day recruiting for the territorial army created by Lord Haldane is even more difficult and it is notorious from the immense difficulties recruiting sergeants have met with in their annual campaign of capturing the raw material to be converted or manufactured into food for powder. The recent organisation of "boy scouts" tells u plainly to what straits the War Minister has been

driven to fill up his territorial army to the required strength. In the proportion of the difficulty larger baits by way of pay, bounty, and other doucers have to be offered. All that may be very well for wealthy England but it becomes a crushing burden for poor India.

So far the fact cannot be gainsaid of the grievous consequences that have hitherto flowed, and are still flowing without any check or control, from the unfair and altogether one-sided army amalgamation scheme of 1859. England is to call for any tune she pleases without let or hindrance and India must pay the piper—that is the greatest iniquity.

CHANGE OF FOREIGN POLICY AND ITS DISASTROUS CONSEQUENCES.

We may now turn to the other fundamental cause which has contributed to the growth of military expenditure. In the polity of nations, it is a recognised maxim that expenditure depends on policy. As a government conceives, whether wisely or unwisely need not be considered, what should be its defensive and offensive policy, so are public funds expended in pursuance thereof, very often irrespective of the ability of a people to bear the burden of expenditure. In the debate on the Lords' amendment to the Veto Bill, Lord Haldane said: 'It was perfectly obvious that with every Government the Budget of the year must develop some *policy. The budget of the day was part of the political programme of the year.* With regard to the budget of 1909 I should think that the *governing purpose of that budget was to embody a policy.*" Continental nations, like Germany, Russia and Austria, with extensive land frontiers and surrounded by warlike neighbours, consider

the maintenance of large land forces imperative for purposes either of repelling invasion or taking the offensive, provoked or unprovoked. On the other hand, a nation situated as the English, surrounded on all sides by sea, and having no land frontiers at all, has to maintain a large navy both for attack and defence. Again, there is a country like France with three large seaboards and also an extensive land frontier beyond which are militant neighbours. Such a country has to maintain both a powerful army and navy. Thus the policy of each country, according to its physical and other conditions, dictates whether, and what sum it should spend on the army or the navy or both. The expenditure, however, may be reasonable, and within the ability of the people to bear it or it may be most burdensome entailing heavy taxation which may be deemed intolerable. All depends for the time being on the views of statesmen at the helm of Government. Men imbued with the spirit of Spread eaglism or Chauvinism or Imperialism may maintain forces so large as to entail an exceedingly heavy expenditure. While there may be persons at the head of State who may hold more pacific views, intent on productive rather than unproductive expenditure, and fully alive to the ability of the taxpayers to bear the burden. These would incur a moderate expenditure for the maintenance of the army and the navy. Sometimes this policy wholly depends on the character of the head of the State alone, be it the Kaiser or Tsar or Emperor whose will is law. With a military despot as such the burdens are more or less most grievous.

India is no exception to this general rule. The Indian Government changes from time to time. One adopts a wise policy of neutrality and pacific intentions

towards its near and distant neighbours, and therefore maintains a force which is the least costly. But another succeeds and lays down a policy of an altogether opposite character under a variety of pretexts and keeps up an army, the cost of which is exceedingly intolerable to the taxpayer. Apart from the colour of the changing administrations, there is the subordination of the administration itself to the Secretary of State. That functionary, in his turn, has to acquiesce in the decision of the British Cabinet of which he is a member. The Cabinet may decide on a particular line of army policy to be pursued for India. It may happen that such a policy may be fraught with no advantage to the country. All the same he must acquiesce in it. If his conscience would not permit of such acquiescence he might resign to give place to another who would be sufficiently pliant. Thus to the original evil of the policy which the Indian administration itself might adopt at a time there is the added evil just referred to arising from India's condition as a dependency of England. It is right, therefore, to say that India is in reference to army expenditure, between the upperstone of the Cabinet at home and the netherstone of the Indian Government for the time being at Calcutta.

THE FORWARD SCHOOL.

Instances may now be recalled how the Military policy pursued by the Indian Government has led sometimes to economy but oftener to large and burdensome expenditure on the army. It is well known that tranquillity had been restored after the dark events of 1857. Sir John Lawrence, who was the Viceroy from 1864 to 1869, firmly maintained a pacific

policy towards the tribes and powers beyond India's natural line of defence and was never tempted by any Chauvinstic spirit to unprovoked aggression. That was recognised as a wise and statesmanlike policy conducive not only to peaceful relations on the border, but to greater domestic progress of a useful character. But there was at the time a school in England, led by Sir Henry Rawlinson, formerly a British ambassador at the Court of Persia, and later on a valiant member of the India Council, who from 1855 had striven most sedulously to push India's boundary beyond its natural lines, with the deliberate intention of ultimately acquirng Baluchistan and Afghanistan. That school, owing to the events of 1857, had receded somewhat in the background, but was making strenuous efforts in 1864 to revive the old projects originally put forward by General Jacob and Sir Henry Green, two very able frontier officers. That school was called the "Forward School," and, thanks mainly to the agitation led by Sir Henry Rawlinson, it condemned Sir John Lawrence's pacific policy. It was nicknamed the policy of "masterly inactivity". "Masterly statesmanship" should be the more appropriate epithet seeing how that statesmanship, so well directed by Sir John Lawrence, was continued by his successors till the Viceroyalty of the Marquis of Ripon, barring that of Lord Lytton. Each firmly resisted all attempts, overt and covert, made by diverse means by the Forward School to give a fillip to their pet project of expansion and aggression. In the Council of Sir John Lawrence there was that soldier statesman—no other than Sir William Mansfield, afterwards the first Lord Sandhurst whose scathing minute against the spread-eagle policy so forcibly advocated by Sir Henry Rawlinson, may still be

read not only with interest but instruction. Both the Viceroy and the Commander-in-Chief were convinced by their knowledge and experience of the true condition of frontier affairs, and even the first important advance of Russia in Central Asia as signalised by the occupation of Khiva, that it would be most mischievous to the interests of India ever to succumb to the seductive, but by no means wise or statesmanlike policy of the fire-eating forwards who contemplated on some suitable opportunity to extend the thin red line of the map of India to the Oxus and the Pamirs on one side and to Kandahar and Herat on the other.

THE POLICY OF GLORY AND GUNPOWDER.

The reception of the embassy of Russians at Kabul by Shere Ali in 1875—6 was the first opportunity the Forward School had of pushing their design. And luckily for them, but most unluckily for India there was at the time at home a Jingo Government in office, at the head of which wars Mr, Benjamin Disraeli afterwards Lord Beaconsfield, who from his inner consciousness had evolved what has since been known as " the scientific frontier"—that is, such a fluctuating frontier that the more you tried to make it scientific by pushing it forward, the more you shifted it nearer the territories of friendly neighbours for stripping them naked of their vineyards. Lord Northbrook was asked to find some *casus belli* with the Amir and provoke hostilities. That statesman, with a single eye to the interests of India, and with a profound spirit of righteousness worthy of an old fashioned Whig of the seventies, with its robust Liberalism, sternly declined to comply with Mr. Disraeli's mandate. He courageously

withstood it till the importunities became so pressing that he deemed it expedient rather to lay down his high office than be a party to the crime of unprovoked aggression against the Amir. Lord Lytton, his successor, came carrying in his pocket the new policy of Glory and Gunpowder on which his great *guru* had set his heart. Within eighteen months of his arrival, the fat was put into the fire. The match to the gunpowder, as wistfully desired by his *guru*, was ignited. Of course, there was a conflagration. But we need not further go into the history of the origin of the Afghan War. All that I would request you to remember at this stage is the change of policy—from masterly inactivity to unprovoked aggression resulting in the unrighteous war against the Amir, Shere Ali. The Jingo Government at home with the reddest of red "Imperialists" in the person of Mr. Disraeli as Prime Minister, and the Viceroy in India as his obedient instrument, actively launched the bold scheme of the Forward School. It is a truism to say that that policy entailed untold burdens on India by way of military expenditure till the 2nd Afghan War lasted, bringing little or no credit either to British statesmanship or British arms.

Happily for India, there was a change of Government in England in 1880 which, true to its Liberal traditions, had in opposition severely condemned the war and the original unrighteous policy which provoked it. With Mr. Gladstone at the helm of the new Government peace was soon restored, a relief was afforded to the revenues of India by a contribution of 5 millions sterling from the British Treasury, and a most broad-minded, sympathetic and conscientious Viceroy, a Liberal of Liberals, was sent to rule over the people.

During Lord Ripon's Viceroyalty, we witnessed the re-establishment once more of the old and wise policy of Sir John Lawrence, namely, of confining within the natural lines of the country's defence. Meanwhile, the whole field of military expenditure, as presented by the light of the stirring events of the immediate past, has been just surveyed by the Simla Army Commission and Lord Ripon's Government fully supported its recommendations.

But with the close of Lord Ripon's Viceroyalty, Sir John Lawrence's policy, it is rueful to state, also came to a final close. The so-called "Imperialism" was slowly coming to the front even in old England, and India got her first "Imperial" Viceroy in the person of Lord Dufferin trained and versed both in Oriental and Occidental diplomacy which might well be characterised as Jesuitical. A change of Government soon after his arrival here, took place. Lord Randolph Churchill, with his Imperialistic ideas, became Secretary of State. He completely overthrew the old policy. At each end, say, at Westminster and Calcutta, there was to be found at the helm of affairs a person deeply imbued with the spirit of Spread-eaglism. The Bengal Chamber of Commerce was vigorously plying its suit for the opening up of Upper Burmah by any means. It was urged that British merchants in Mandalay were molested and otherwise obstructed. Exaggerated, if not fallacious, accounts of the so-called anarchical condition of the dominions of King Theebaw were circulated by a venal Press. As a combined result of these events, Lord Randolph Churchill resolved to hoist the British flag at the capital of the Alhambras. The first preliminary step was taken, namely, of augmenting the Indian Army

In defiance of the recommendation of the Simla Army Commission that 60,000 British and 120,000 Indian troops would amply suffice to meet all emergencies and requirements, internal and external, that masterful Secretary issued his mandate to increase the forces by 10,000 European and 20,000 Indian soldiers. Thus the Jingo policy was fully set in motion and it is a truism to say that since that time, more or less with temporary interruption, that policy has been allowed to have its free sway in India. It was brought in evidence before the Welby Commission by Sir David Barbour and Sir Auckland Colvin, two of the ablest Civilian Finance Ministers we have had, that the military policy, leading to large military expenditure, happens to be greatly in the ascendant when there is a strong Commander-in-Chief and a weak Viceroy or when both are strong. Conversely, with a strong Viceroy, full of pacific intentions, the military policy receives a considerable check.

Thus, it has happened that every impetus given to the military policy has constantly disturbed our finances. A budget balanced with some care and caution has been converted into one of deficit. Observed Sir A. Colvin: "One disturbing element in Indian finance is the constant frontier trouble—small expeditions with a nearly balanced budget may just have the effect of creating a deficit." And speaking of expeditions generally, he further observed that they are "inherent in the Indian system as that they have been more frequent of late in consequence of the adoption of a certain policy." Indeed, he emphatically declared that the net result of a strong military policy was the wrecking of Indian Finance. And the late Sir Edwin Collen was obliged under the cross-examination of Lord

Welby to admit that "everything depends on an economic Viceroy."

It is superfluous to say that more or less the military policy held its ascendency during the Viceroyalty of Lords Lansdowne and Elgin. There was the Kashmir imbroglio and the subsequent occupation of Gilgit, Hunza and Nahyar. The Chitral expedition followed and later on the inglorious expedition to Tirah. All these were the fruitful products of that ascendency. But the policy became exceedingly mischievous during the masterful and "strenuous" Viceroyalty of Lord Curzon. No Viceroy came to India more steeped in the reddest of red Imperialism than he. It eventually led to that so-called "peaceful" expedition to Lhassa, with the ulterior object of threatening China in South-west Yunan. His ludicrous Spread-eaglism and pompous Cæsarian attitude in the Persian Gulf is well-known. In his person Lord Curzon demonstrated to the hilt the truth of the statements made by high officials of State before the Welby Commission, that Indian finance was liable to the greatest disturbance with a strong Commander-in-Chief and a too militant Viceroy. But for the fat profits chiefly derived from the enormous coinage of rupees, the financial disturbances would have been seen at a very early date. The taxation imposed last year might have been earlier imposed by Lord Curzon himself. His surpluses were in reality windfalls and spent after the manner of spendthrifts, though we must acknowledge the remission of the salt duty. No doubt Lord Kitchener fell out with Lord Curzon, but the quarrel had reference rather to an administrative than a military problem. The autocratic Viceroy could

not brook another Turk near his throne. But in the matter of the new-fangled organisation carried out by Lord Kitchener entailing further permanent burden on the revenue, Lord Curzon was one with him. To add to India's misfortunes, there unluckily happened throughout the three Viceroyalties that she had weak Secretaries of State, with no grit to check and control the strong military policy which was having its full and free sway in the Viceregal Council. Thus, the policy having been what I have described above, is it a matter of surprise that from the days of Lord Dufferin to those of Lord Curzon, military expenditure, as already shewn in the early part of this paper, was allowed to mount upwards by leaps and bounds?

WILL THERE BE ANY MATERIAL RETRENCHMENT?

I think I have fairly demonstrated how far two fundamental causes have largely operated in the growth of army expenditure; firstly, the mischievous amalgamation scheme, and secondly, the equally mischievous "forward policy" of both the Government of India and the Home Government since 1885. Unless, therefore, the two principal causes which have contributed to the increase of 11·61 crores of rupees from 1885-86 are removed partially or wholly, I for one am not sanguine of any substantial reduction of military expenditure. We may take it for granted that the able officers at the head of the Finance Department will conscientiously discharge their duty, minutely examine the increases under each head of the grant for the annual army services and recommend such reduction and economy as to them may seem reasonably compatible with "efficiency," whatever may be understood by that word. We may consider ourselves lucky

if they can show a saving of half a crore if ever so much. But assuming that it comes to that amount, we may inquire how long will it last and how soon may it be absorbed by fresh recurring expenditure. Experience informs us that all this labour which the Finance Department may undergo and all the savings they may effect will be so much labour lost and wasted. Reductions there have been in the past, but they have been uniformly swept away by the force of the irresistible tide of military requirements. To take the latest and most striking instance. It would be in your recollection that the Welby Commission had recommended that India should be allowed a reduction in its Home military charges to the extent of £ 2,50,000. But before two years had elapsed the War Office jumped a mine on the Government by saddling our finances with £7,86,000 of annual permanent expenditure by way of increased soldiers' pay. That fresh burden would have been impossible had there been no amalgamation scheme.

Then as to the policy. If you take into consideration that the new policy of aggression and expansion commenced with the augmentation of 30,000 soldiers, you will find that the additional cost by way of small wars, expeditions, mobilisation, up-to-date ordnance and other arms of precision, war material, &c., have absorbed many a lakh of rupees every year. In reality, the military candle has been kept burning on both these accounts without a thought of the burden on the inarticulate tax-payer. On the one hand, the amalgamation scheme entails from time to time a burden on our far from elastic revenue which the Government of India is powerless to prevent, and, on the other hand, there is the ascendency of the military

element in the Viceregal Government which leads to other increases of expenditure. It would be obvious, therefore, that until the amalgamation scheme, I repeat, is denounced in Parliament by some member of the vast military knowledge and experience of the late distinguished Sir Charles Dilke, and another of an equitable character is substituted instead, there can be no hope of any cessation of additional expenditure of a permanent character. You will never be able to keep it rigidly stationary at a certain figure as was the case from 1861-62 to 1884-85, with slight interruption. Policy also must be modified. That can partly be accomplished in two ways by our Indian representatives in the Viceregal Councill. Firstly, by vigorously supporting the Government of India which for years past has been unsuccessfully remonstrating with the Home Government in respect of charges dictated purely by Imperial interest in which India has no concern or next to none. Secondly, by a vigilant watch over all branches of military expenditure incurred in India which under existing circumstances may be deemed voidable.

REDUCED EXPENDITURE POSTULATES CHANGE OF POLICY.

In reference to policy it may be of importance to draw your attention to the very pertinent observations made by the Government of India in their despatch of 25th March, 1890, to which I have made reference in the sequel.

Much water has flowed under the bridge since then, but it may be fearlessly said that the Government is no way nearer to-day in successfully achieving its object than it was twenty years ago.

SIMLA ARMY COMMISSION'S REPORTS.

I now come to my last point, namely, the proposed reduction in the strength of the army itself. I need not wait, gentlemen, to inform you that if even half of the additional troops which were increased in 1885 is reduced, there would result a substantial saving which would afford great relief to the revenue and which might be very well utilised for some of the most deserving and trying objects of public welfare. But before I further descant on this part of my subject, which is of immediate practical urgency I would detain you for a few minutes by taking you back to the report of the Simla Army Commission as it is of the highest importance in the consideration of the proposed reduction.

In its letter to the President appointing the Commission the Government declared the main object for which it was instituted, namely, "to assist Government in determining what share of the unavoidable reduction can be borne by the military charges without injury to the general efficiency of the army, and in what manner such savings can best be effected. In order that the Government may be put in a position to decide on this most important question, investigation of your Commission must be comprehensive and exhaustive, embracing in fact the whole subject of military organisation and expenditure; you are requested to study carefully the improvements in administration which have been recently introduced into the British and other European armies and to consider how far such changes can be advantageously introduced into the Indian armies. The great problem of modern military organisation is to provide the largest and most efficient force in war with the smallest permanent peace establish-

ment and expenditure; and it is to a solution of this problem that the labours of your Commission must specially be directed." The Commission responded to this reference as follows:—

"Nearly two-thirds of the border of the Indian Empire is protected by the sea. So long as Great Britain is the mistress of the seas, the seacoast of India is protected by the fleet of England and the Indian army need provide only for defences at four or five sea-ports. The external foes which the Indian army may have to meet on its land frontier are, Russia and Afghanistan on the north-west; Nepaul or Bhootan on the north-east; wild tribes of the Assam, Cachar and Arracan border on the east; and Burma on the south-east. It is not probable that India will come in contact with China or Persia on the land frontier of British India for sometime to come. For operations against Russia or Afghanistan assisted by Russia, a force of two army corps of 50,000 to 60,000 fighting men might possibly be necessary. None has ever suggested that the army of India should be maintained at a strength necessary to put into the field a larger force than this. Two divisions of all arms would probably suffice for the requirements of a war with Nepaul; while, against other external foes, a single division of all arms would, if communications were maintained, be enough."

It will be noticed that the recommendation of the Army Commission to have 50,000 to 60,000 European and 100,000 to 120,000 Indian troops was made after due deliberation and a most cautious and careful survey

of the conditions on the frontier and the then position of Russian advance in Central Asia the recommendation was agreed to by Lord Ripon's Government. But on his retirements and on the change in the Ministry in 1885, the Forward School found in Lord Randolph Churchill an active advocate to carry out its design. His mandate went forth to increase the European troops by 10,000 and Indian troops by 20,000. Nothing special had happened on the frontier and no change in the attitude of Russia had occurred to justify such an increase. Two of the members of Lord Dufferin's Government were so convinced of not only the non-utility of the increase but of its possible evils that they placed on record their trenchant dissent which bears date, 14th August, 1885. Both the late Sir Auckland Colvin, that brilliant administrator who was then Finance Minister and Mr. (now Sir Courteney) Ilbert observed in their joint minute that "there seems every reason to apprehend that the increase of our forces beyond the needs enumerated by the army commission may prove a weapon less of defence than of aggression. We are of opinion that as no circumstances have arisen which from a military point of view have not already been foreseen and guarded against the proposal to increase the strength of the army of 27,000 men should be negatived. We are further of opinion that it may lead to the advocacy and possibly to the adoption of projects for the extension of our present frontier." And again: "It has been already pointed out that the existence of such a force would be no mean agent in bringing about the very risk which it is meant to obviate. A standing army which is larger than is necessary for home requirements will be a temptation, and almost an irresistible weapon of offence beyond the border." How

prophetic was the warning will be readily admitted when we recall the events which have taken place on the frontiers since 1885. Who is unaware of the acquisition of Upper Burmah, of the occupation of Gilgit, Hunza and Nagyar which eventually culminated in the expedition to Chitral. Later on there were those expeditions in the Malakand Pass and the territories of the Afridis and Oakzais. Still later on there was that disastrous expedition to Tirah. All these have cost millions of money which might have been well avoided. But the addition to the forces was, as the two members of the Government wisely forewarned, a direct incentive to frontier expeditions and land-grabbing. The plea has been put forward that they were all necessary in order that the frontiers may be kept free of turbulent tribes and Russian intrigues and complications. Russia had all through been held up as a bogey and Imperial interests were urged for the purpose as if the quarrels of Great Britain with Russia on the European Continent had any concern with India to justify an unnecessarily large standing army on the Indian border. The Government of India felt sore on this point. It had more than once remonstrated with the Home Government but in vain. In one of these most important despatches they were constrained to observe as follows:—"Millions of money have been spent on increasing the army in India, on armaments and on fortifications to provide for the security of India, not against domestic enemies, or to prevent the incursions of the warlike peoples of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all those great and costly measures which is far beyond Indian limits and the policy which dictates them is an Imperial policy. We claim,

therefore, that in the maintenance of British forces in this country a just and even liberal view should be taken of the charges which should be legitimately made against Indian revenues." But all through the remonstrances and appeals of the Indian Government have gone in vain while many more millions on arms and ammunitions, mobilisation, fortification, strategic railways and a variety of other objects too numerous to be detailed here, have been incurred from year to year, till the entire military expenditure, exclusive of strategic railways, stood at 28·66 crores in 1909-10.

OPINION OF TWO MEMBERS OF THE WELBY COMMISSION ON ARMY CHARGES FOISTED ON INDIA.

I hope I have now made it clear how far the *policy* pursued by the Imperial Government has been largely contributory to the expenditure which now absorbs the whole of the net land revenue of the empire. So able and levelheaded a member of the Royal Commission on Indian expenditure as the late Sir James Peile, in his separate minute to the Majority Report, has observed: "It is needful to remember that the foreign military policy pursued in India, while it certainly aims at the safety of India, is also the policy of a great European State, and therefore a policy of mixed elements. The dictum that India should contribute part of the cost of British military operations in which India has a direct and substantial interest may easily be turned round. Here there is a partnership which implies joint objects and interest, and that I think is a reason for great consideration in dealing with the home effective charges." Again, the late Mr. Buchanan, who was

also a member of the Commission, and became afterwards Under-Secretary of State for India, observed in his own minute that "in so far as the military defence of India is concerned, India pays everything and the United Kingdom nothing, and yet the maintenance of the military defence of India is one of the greatest of Imperial questions. The military strength of India is the main factor in the strength of our Empire in the East. In virtue of that strength Great Britain is a great Asiatic Power."

Prima Facie GROUNDS FOR RECONSIDERING PRESENT ARMY STRENGTH.

The question then remains whether the time has not come when the entire policy of the Imperial Governments, so far it is a great Asiatic power, should not be impartially considered on its own merits. If that policy is to be firmly maintained, then how may the growing expenditure be kept under check and control? Indian revenues, as we are all aware, are subject to the greatest fluctuations either on account of physical calamities or external economics and politics which the polity of the Imperial Government force on this dependency. At present the Indian Government is sorely tried as to how to balance the two sides of the annual account. With the threatened extinction of the opium revenue the position two years hence is certain to be more embarrassed than it is at present. Either enhanced or new or both kinds of taxation will become inevitable or ways and means of retrenchment must be found to bring about an equilibrium in the balance sheet. As far as retrenchment has to be considered, I do not think

that there can be any two opinions about military expenditure being the first which ought to be taken on hand. We may economise civil expenditure as best we may; but it is neither so burdensome nor so crushing, let alone its productivity, as military. Having regard to the fact that the Russian bogey has been dispelled and that there is no reason whatever to apprehend any external attack from that Power on our frontiers in future there is no reason to have such a large standing army as is maintained at Present. Moreover, many more miles of railways, strategic included, have been constructed at the expense of crores of rupees which have vastly facilitated transport and mobilisation. That fact ought to add additional weight towards the consideration of the question of retrenchment. There is, again, a considerable force of armed police which did not exist when the Simla Army Commission made the report. Next, the reserves and the Volunteer force also have been greatly augmented. Thus, view as you may the position at present from any point, you are irresistibly led to the conclusion that on every ground a case for retrenchment has been made out. Even so redoubtable an organ of the military bureaucracy as the *Pioneer* observed in its issue of 7th July as follows: "The argument that because a certain establishment laid down fifty years ago was appropriate to the wants of the Indian Empire, this estimate can never be liable to modification is surely one that could have only been brought forward from a scarcity of better ones. Circumstances are always altering; the balance of power is substantially shifting, the dissolution of old combinations and the formation of new events in the outside world, such as new railways, new lands, new inventions, not to speak of campaigns and

battles in whatever distant lands they may occur, are continually altering the relations of a country's military resources to the necessities, and making the forces that were ample at one time insufficient at another and *vice versa* * * . The menace that looked so black has rolled away for good, as far as human foresight can go. A strange shift of international politics has brought us into relations of friendliness and common interests with the power who for many long years seemed infallibly destined to close with us in a life and death struggle for the possession of India. Can it be said that the removal of such a weight offers no *prima facie* ground for a reconsideration of the scale of our own military establishment?" But the Russian bogey having been laid low by the Anglo-Russian agreement, the Forward School is now screaming that China is massing troops on the Nepaul Frontier and that affairs in the Persian Gulf, owing to the construction of the Bagdad railway, demand watchfulness and preparedness! These are two bogies but they need not frighten anybody. For on the face of it it is absurd to expect China, or for that matter Siam, ever contemplating an attack on the north-east frontier. Says the *Pioneer*: "To suppose that China would contemplate serious hostilities in those remote jungles while she lies open to blows over the heart from the British Navy would be to suppose her statesmen infatuated indeed. Then we are warned about the political situation of the Gulf, but it is not obvious how matters there should affect the Indian Army."

So far these fresh bogies may be at once dismissed from our mind. We need not tarry to consider them for a moment, utterly puerile as they are and opposed to all

possibilities. On the other hand, to again quote the Allahabad paper, "it cannot be denied that the internal duties and responsibilities of the Indian Army have lightened very greatly during recent years, firstly, because it has no longer to act as counterpoise to a body more than twice its strength in the shape of the Native States' armies, and partly because of the enormous improvements in communications. In brief, all the evidence seems to indicate a good *prima facie* case for the reopening of the question."

HOW MAY RETRENCHMENT BE EFFECTED?

A *prima facie* case being made out, let us consider how may a reduction in the cost of the Army be affected. There are, I think, only two ways of doing it. Either the Army should be brought down to the strength at which it stood before Lord Randolph Churchill increased it in 1885, or if that is not to be, then justice demands that the burden on the Indian revenues be lightened by a fair and reasonable contribution yearly from the Imperial Exchequer in consideration of the unquestionable service the retention of the present standing Army of India renders to the Imperial Government, namely, in maintaining its supremacy in the East as a Great Asiatic Power.

As to the first alternative, even the *Pioneer* recommends it; but it would propose a reduction in the strength of the Indian troops alone. This is opposed by the unanimous voice of the Indian Press which voices enlightened Indian public opinion. For just consider what an Indian soldier costs and what a European. It appears from the Finance and Revenue Accounts for

1909—10 that the total cost of the European Army, consisting of 24,696 officers and 72,799 warrant officers and soldiers, in all 75,268, is a sum of Rupees 8·60, crore Rupees by way of regimental pay and allowances, provision, and the charges paid in England. The total cost of the Indian Army consisting of 30·15 officers and 160,411 warrant officers and men, in all 163,426 came to 6·40 crore Rupees for regimental pay and allowances and provision. Thus each European costs 1142 Rupees and each Indian 392; in other words, it costs 3 times more to maintain European troops than Indian. If the strength of the European is brought back to that at which it stood up till 1885, say 50,000, the saving by the reduction of 10,000, in all now would mean 1.40 crore rupees. To obtain the same retrenchment of 1·40 crore Rupees would require the reduction of 28 000 Indian troops. Is it not wiser to curtail that limb of the Army which is needless and most costly? If, however, there is to be a reduction both in the European and the Indian Army, then it would be well to maintain a force of 50,000 for the former and 100,000 for the latter. The saving then would be in round figures nearly 3 crores—a very substantial saving indeed giving the greatest relief to the revenues and relieving the tax-payers from any fresh taxation which might be otherwise inevitable. With even a reduction of 5,000 European and 10,000 Indian soldiers the saving will be about 1¼ crore Rupees.

Of course, the *Times* and the other Chauvinistic papers in London, and their counterparts here, have been screaming aloud against the reduction of a single European soldier, but it is to be hoped that the prudent and economic Government of Lord Hardinge

will not be deterred by that irrational hue and cry from courageously facing the financial situation in the face and rendering that just financial relief to India which is called for. There is the greater hope of this, seeing how vigorously has the Under-Secretary of State in his budget speech laid emphasis on army retrenchment. By all means maintain the basal principle of having one European soldier for every two Indian. But it would be most unjust that while a European costs Rs. 1,404 per annum and an Indian only Rs. 492, to curtail the strength of the latter only and wholly maintain that of the former. That would be a crying injustice and otherwise impolitic from all points of view. But if the Chauvinist organs of British public opinion are anxious to see no European soldier reduced, then, they ought to be prepared in all conscience and equity to recommend to the British Treasury to bear a part of the cost of the European army in India, seeing that it is partially maintained in Imperial interests alone.

This brings me to the second alternative of the contribution to the Indian revenues from the British Treasury. So unbiassed and fair-minded a member of the Welby Commission as Mr. Buchanan observed in his minute to the Majority Report that "on general grounds and from our recent experience of the help that India's military strength can give to the Empire it is established beyond question that India's strength is the Empire's strength, and that in discharging these Imperial duties India has a fair claim that part of the burden should be borne by the Imperial exchequer. There may be difficulties as to the method of making the charge

and the amount. As to the equity of the claim on the part of India there can be no doubt." I am sure every enlightened and fair-minded person, be he European or Indian, will endorse the justice of the suggestion which Mr. Buchanan had made but which of course, did not commend itself to the majority of his colleagues. But the cogency of his reasoning and the fairness of his proposal must be deemed to stand as good, if not better, to-day than they were first made fourteen years ago.

CONCLUSION.

Summarising, I may say that no substantial retrenchment can be effected in the Army expenditure unless the strength of the entire force, European and Indian, is brought back to what it was in 1885. There are most cogent reasons for such a reduction, seeing that the conditions which prevailed from 1885 till the date of the Anglo-Russian convention have altogether changed for the better. There can be no fear of external aggression from any European or even Asiatic Power, either from the north-west or north-east. The internal duties of the troops have been considerably lightened by the increased reserves, by the larger volunteer force, by the armed native police and by the trained Army of Native States. Thirdly, there has been enormous improvements and facilities of communication. Fourthly, more fortifications, military defence works, and strategic railways have been constructed. Lastly, the army to-day is infinitely more efficient every way in arms and accoutrements than it was in 1885. Each and every one of these are strong reasons in favour of a reduction. Apart from that it is highly imperative to

modify considerably the Army Amalgamation scheme of 1859 which has been the perennial source of increased Army charges for European troops, not infrequently of a character to embarrass the Indian exchequer as the Government of India has to its cost felt time out of number. It is an unequal partnership of a most burdensome character and withal so unjust that it offers next to no voice to the Indian Government to resist crushing charges imposed from time to time. The scheme, from the very first, has been condemned by experts, some of whom have not been slow to observe that it is a convenient instrument for the War Office when opportunity offers to serve the exigencies of British estimates. Such an one-sided and grossly iniquitous scheme needs either to be ended or mended. And, lastly the Imperial policy in reference to the maintenance of its supremacy as an Asiatic Power in the East requires to be so far modified as to diminish to a large extent the financial liabilities and obligations it imposes—liabilities and obligations which should equitably fall on the British Treasury and against which the Government of India has persistently protested and appealed to the Imperial Government but hitherto in vain.

ADDRESS TO THE

INDIAN COMMERCIAL CONGRESS.

[*The following is the full text of the speech delivered as Chairman of the Reception Committee of the First Indian Commercial Congress held at Bombay on the 26th December, 1915.*]

BROTHER DELEGATES, LADIES AND GENTLEMEN,

On behalf of the Reception Committee of the First Indian Commercial Congress, let me bid you a cordial welcome in this great city, the panoramic beauty of which you will greatly appreciate by perusing a most entertaining book recently published called the "Charm of Bombay," written by Mr. R. P. Karkaria, an indefatigable student of our local history and research. To me it is a source of the highest gratification to participate in the proceedings of this day, which recalls to my memory the auspicious founding, just thirty years ago, of that great parent of all national organisations, *viz.*, the Indian National Congress. Little did we anticipate in the Christmas of 1885, when 72 representatives of all India met together in the historic hall of higher learning in Sanskrit provided by a philanthropic Hindu citizen, that its spirit would permeate in a variety of ways in the land and be the happy instrument of moulding and welding other activities in a concentrated form for the greater good of the

people. To-day, I am pleased to say, we are all assembled in another historic hall, older in every way and richer with many traditions, also for a national purpose but of a different character. This Town Hall, built well nigh a century ago, is replete with many memories and many reminiscences. I have been here from the days of my youth upwards on occasions when either the voice of learning or art or science was heard or when its ceiling reverberated with the thunders of local orators demanding their first charter of Municipal Government, or when statesman of great liberality and breadth of mind like Sir Bartle Frere gave those polished and cultured addresses to the earliest convocations of our local University. Again, it is in this very hall that I had heard the voice of that most distinguished and intrepid traveller, Dr. Livingstone, when returning from his wanderings of many years in the wilds of Central Africa. Lastly, how often our citizens have heard in this identical hall the brilliant and sagacious utterances of that sterling patriot who, alas, has only recently been gathered to the majority! The voice of Sir Pherozeshah Mehta is hushed for ever, but I am quite sure you will all agree with me, that the memory of that premier leader of Indian thought will be cherished for many a generation to come. And nowhere else than in this great historic hall was he heard at his brightest and best on occasions of the highest import to the land.

Let us hope that this Commercial Congress, which finds its activity in this city to-day and which owes its initiation to our well-known and esteemed citizen and merchant, the Hon'ble Sir Fazulbhoy Currimbhoy, will reach the age of adolescence and be as fruitful of many an

activity in the field of Indian Commerce as its parent institution, that "great unconventional convention," has been in that of politics. We have now among us provincial conferences, social and religious conferences, industrial and educational conferences, besides some brotherhoods and leagues, of which the latest and the most sturdy is the one which is also to have its sittings in this city. I mean the league of our Muhammadan brothers and friends. But amidst the profusion of these deliberative assemblies there was a crying want for one to ventilate matters affecting Indian commercial interests. That desideratum will, it is to be hoped, be well supplied by this Commercial Congress which comes to-day into existence. It is a new born infant only, but I am of great hope that, nurtured and brought up by men of great commercial instinct and sagacity, it will soon assert its strength and be a power and influence for good in the land.

You are, of course, fully conversant with the history of the rise and growth of India's foreign trade since the establishment and consolidation of the British Empire in India, specially of the great strides which Indian trade has taken within the last fifty years, say from the opening of the Suez Canal and the era of Steam Navigation in the world. But it would be extremely erroneous to suppose that there was no such thing as international commerce or exchange of commercial products between India and the other countries in the world prior to the date of British rule. What we now call the modern international trade is not a plant of yesterday. Eminent economists have long since demonstrated that the root of such trade might be

traced to inter-tribal exchanges and noticed from the most primitive times. Such inter-tribal exchanges existed to the fullest extent in this country centuries ago. So, too, international trade of a rudimentary character. History informs us on the authority of great historians and travellers who flourished more than 3,000 years ago of the trade which India carried on on the one hand with Arabia, Persia, Asia Minor, Syria, Egypt and even distant Greece and Rome, and on the other with Java, Borneo, China and Japan. Baragyza or modern Broach, as you are aware, was the greatest entrepot of Indian international commerce from historic times till the advent of the Venetians in the twelfth century.

Just as the Bombay of to-day is the great emporium of Commerce between the East and the West, so was ancient Broach. The ancient trade was indeed considerable having regard to the fact that the world of commerce was young. At the commencement of the Christian era the balance of trade in favour of this country with Rome alone amounted to well nigh a million sterling.

It is superfluous in this place to recall what is said about India's trade in the faithful pages of the unknown author of the "Peripous of the Erythrean Sea" so well amplified later on by Hippalus who had personally been to India at the very beginning of the Christian era, Nor is it necessary in this place to recall the fact of the excellent and inter-provincial trade which existed in the country itself. All the products for exhange beyond the seas came by way of land or river to Broach or to Calicut. That land trade also, as is well known, was carried on in the Gangetic plain by means of thousands of little river craft, many of which the Great Alexander

himself had got constructed when crossing the Indus from Peshawar to Karachi. And that able Bengalee scholar, Mr. R. Mukerjee, has in his accurate and interesting history of Indian Maritime Activity in early times amply related facts which are evidence of no mean commercial spirit that prevailed among Indians, at least 2,500 years ago. Moreover, the neglected caravan routes from Eastern China and Tibet to the confines of Peshawar and thence to Persia and Mesopotamia are evidence of the great activity of Indian land trade beyond our Frontiers.

But whatever the commerce of India in ancient times and even during the middle ages it could bear no manner of comparison with what the country has been accustomed to during the last half a century. No doubt since the advent of the British in India foreign trade has advanced steadily. That advance was exceedingly slow at first and more or less monopolised by the East India Company till it was deprived of its trading monopoly in 1833. The merchants of those days were of course high protectionists. India, till the advent of these protectionists, was quite innocent of protective or any other tariff. She only traded on natural lines. She supplied to other countries such articles of luxury and comfort as they could not produce or produce only at an excessive cost. On the other hand, she imported such articles as she required for her own wants and luxuries. Thus was established a basis of international trade which was in reality the development of the primitive inter-tribal one to which distinguished economists have referred. In reality it was a free exchange of products. All this was altered by the protectionists of the East India Company with the net result that profitable industry, especially that of calicoes, were killed inch by inch.

And this parlous state of things continued to the great prejudice of India's industrial and commercial prosperity. But let us drop a curtain over that century of economic mischief. Let it be buried for ever. Impartial men of British commerce to-day have deplored, as the Indians themselves, that great injury is effected on India by those exceedingly selfish monopolists. Some embers of that old protective policy still seem to flicker so far as the Lancashire export trade to India in cotton fabrics is concerned. Take, for instance the excise duty on Indian manufactured goods which has been imposed since 1895 by reason of the one-sided and interested fiscal policy imposed on the Government at home by Lancashire manufacturers. But India has seen the dawn of a better day in commercial and industrial prosperity since the last fifty years, during which immense changes have taken place in the old-fashioned trade of the world. The opening of the Suez Canal in November 1869 accompanied by the great impetus, still going on in steam navigation, has wholly revolutionised the trade prior to that year. Next, the immense expansion of railways in the West and the moderate extension of the same in this country has also been vastly contributory to the development of that new international trade to which I have just referred. These railways, especially in the United States, have given an enormous encouragement to the growth of agricultural products first and manufactures afterwards in a degree which is unprecedented in the economic history of the world. Other countries followed suit. Thus it is that Lancashire during the last fifty years has been able to establish unrivalled supremacy in her piece-goods trade and the Midland Counties in their iron manufac-

tures. Both these striking phenomena have in a vast measure directed international trade into channels whereby every civilised country in the world has been able to produce certain special commodities at the cheapest price and sell them to other countries in order to exchange those products which they have in their turn produced cheap. It is this broad economic fact of the last half a century which is at the root of that immense international trade that we witness to-day, and to the extension of which there would be no limit for some years to come.

This trade has again been helped by the phenomenal progress of science applied to industries. The production has thus been greatly supplemented and as science advances and devises new methods of production of a variety of other commodities still unknown, the world's international trade is destined to go forward by leaps and bounds. These are the outward factors in the business economics of the world which are having their beneficent influence on the international trade of India. That trade has not yet experienced their full effects, while our Indian men of commerce and industry have hitherto failed to grasp the fundamental principles underlying this colossal influence which is slowly changing the commercial destiny of this country for the better. Whatever, therefore may have been the mischievous effects of the selfish policy in fiscal and commercial matters in the past, I for one am rejoiced that all those external factors just referred to which have combined no make the international trade of the world what it is, are silently effecting the good of the country. There may be as some of my critics might say great optimism in this line of thought. But I am strongly of conviction

from my study of the history of the world's international trade for the past fifty years that our rulers are on the whole following a policy, though not without some grievous mistake now and again, which is certain to lead to the greater material prosperity of the land. We should all try to realise here the remarkable dictum of that great economist, Dudley Noth, given over two hundred years ago that "The whole world as to trade is but as one nation or people, and therin nations are as persons."

One of the important effects of this international trade is the steady emergence of the country from a debtor to a creditor. You are all aware how the balance of trade has gone in favour of India for the last few years. No doubt, the war conditions, which are temporary, have arrested the excess of exports over imports. But those exports are bound to resume their normality after the close of the present struggle. And here I need not remind you what an important part agricultural prosperity must play in our country's commerce. Commerce cannot exist without agricultural products which could be safely exported to foreign countries after what may be necessary for home consumption. So, too, with industries and manufactures. It is the combination of these triple factors which educes commerce, that is to say, exchange of products of one country with another. It should, therefore, be the constant aim and object of this Commercial Congress to stimulate the agricultural (including the breeding of live stock) and mineral prosperity of the land. That is to say, agriculture should be so extended and improved as to enable our hapless ryots to produce more at less cost so as to leave them a fair margin of profit.

And in this connection I wish to lay the greatest stress on the institution of Agricultural Banks on the lines of the Egyptian Agricultural Bank with such modifications as may be deemed essential. No doubt the Government has with laudable zeal during the last decade paid greater attention to the improvement of agriculture by a variety of means and have also spent a large *modicum* of revenue in that behalf. Yet much still remains to be accomplished and could be only accomplished by following the example of the United States of America. That country is a model one for purposes of agricultural improvement, and it is superfluous to state here that the Government of India should by and by spend larger and larger sums out of the annual revenue for the achievement of this great national object which really signifies the material salvation of the country. Every rupee spent on the extention and improvement of Agriculture must be deemed wholly productive. So far as to the duty of the State in India. But more than the State private enterprise ought to take upon itself a thorough organisation of agricultural industry and agricultural credit on sound lines suggested by the prosperity of agriculture in the United States. The Government, at the best, can only be an auxiliary. It is the people themselves on whom lies the great responsibility of promoting the country's material prosperity by the larger and larger efforts they may put forth in the matter of agricultural organisation and credit. It is also needful to point out the great utility of further exploiting the rich mineral resources of the country, an active impetus to which Sir Thomas Holland so admirably gave when at the head of the Geological Department. In the near future minero-

logy and metallurgy should greatly attract the attention of men of the great enterprise and courage of the late Mr. Tata. The war has made us all quite alive to the variety of metallic ores which might be utilised for purposes both of the arts of war and peace in the great British Empire.

Lastly, there may be immense progress in foreign and inland trade but that would not necessarily signify the prosperity of millions of cultivators. It is only when Indian agriculture is placed on a sound economic footing which would conduce to the prosperity of the ryot that the country itself could be said to grow in wealth. The larger, therefore, the exports of agricultural and mineral products from the country, while leaving a fair margin of profit to the ryots, the greater the balance of trade in favour of the country *pari pasu* with such a financial policy of the Government as would steadily lead to diminish sterling obligations abroad. This is the great goal to be borne in mind by the Commercial Congress.

Side by side, the incalculable advantage of commercial education based on high scientific knowledge of a practical character in a variety of directions should never be lost sight of. Commercial education was woefully neglected in England till the vast strides made by the European Continent and the United States made her alive to the importance and value of hat Professor Ashley rightly calls "Business Economics." To us in Bombay it is a matter of some comfort that by dint of perseverance we have been able to found a College of Commerce which will be in reality a teaching Commercial University, but to attain this ultimate goal for which the College is founded, the State should come forward with a liberal purse to make the Institution a really

genuine teaching University as its enthusiastic Principal so earnestly yearns for. Allahabad has taken a right step in the matter. Its University owes it to the economic statesmanship of its present distinguished Chancellor, no other than Sir James Meston, the liberality with which the higher commercial course is to be encouraged in the near future under the guidance and direction of that able economist, Professor Stanley Jevons. Calcutta has followed suit and we should all rejoice when our own liberal-minded Governor gives the only College of Commerce in this country substantial grants which would speed it on its onward progressive course. And let me conclude this part of my subject with what was said only two years ago by a distinguished Manchester educationist in relation to English backwardness in Commercial education: "We are coming into competition in foreign markets with men of far better educational equipment than ourselves, with the result that the prizes fall, as they always must, to the man of better intellect and trained capacity. They forget that year by year trade is becoming more international and cosmopolitan, points of contact multiply, insular isolation is merely a slow form of suicide, and ignorance of foreign languages, of foreign customs, coinages, measures, laws is only a form of isolation." It is to be hoped the Indian Government, as well as the great Indian mercantile community, will firmly bear in mind the observation just quoted.

Survey now the field of Commerce since the days of the opening of the Canal and the era of steam navigation and extended railways! What giant strides has India made since then in her imports and exports. Would it have been possible to annually export in larger and larger

quantities millions of hundredweights of rice and wheat, of jute and cotton, of tea and seeds and other minor products, but for the external factors referred to? Similarly, would it have been possible, the prosperous existence to-day of well-nigh 300 cotton factories, 40 jute mills, hundreds of tea gardens and so forth ? If only our rulers, who are now amply alive to the absolute necessity of the economic progress of the country in a variety of directions, in agriculture, in industries and in manufactures would bear in mind that the helpless Indians have been urging on this attention these many years past that the material prosperity of India should be based, with a singleness of purpose, on what is the best in the interests of the people irrespective of the interest of all other countries, the United Kingdom not excepted, I am sure that the progress during the next quarter of a century would be such as to gratify the millions of this country and make the Government proud of their magnificent economic achievements. At the same time it is my earnest hope that Indians of enterprise and commerce will devote specific attention to the incalculable advantages of possessing a mercantile fleet of their own. As you all know the vast sea-borne trade of the country is carried on in foreign bottoms and thus a part of the annual wealth by way of freight inward and outward is carried away by foreign shipowners. Ship-building is an art not unknown to India, and it is an historical fact that along which a large number of warships for the British Navy, during the latter part of the eighteenth and almost the whole of the nineteenth century, built in the Bombay Dockyard by those great Parsee master builders, the Wadias, merchant vessels were also built of a most durable type. It is much to be wished that this

art of ship-building was again revived on a sure and solid foundation which may lead to the greater mercantile prosperity of the country and be also in times of emergency a tower of strength to the Government itself.

That is the goal to which this Commercial Congress should unceasingly aim at. The time is opportune and ripe. It may be postulated without contradiction that this terrible war, which we all fervently pray may end in the ultimate victory and triumph of the Allies, has already presented to the word many an economic phenomenon undreamt of in the philosophy of economists past and present, be they of the persuasion of protectionists or preferential tariffists or free or fair traders. Their many dogmas and shibboleths may have to go to the melting pot or to the crucible of truth in order that they might undergo an evolution in harmony with the new facts disclosed. This Commercial Congress, therefore, takes its birth at a juncture in the history of that economic world when all its ability and strength and grasp of first principle and practical business sagacity will be essential to lay before the Government from time to time those larger and graver problems, fiscal, industrial and commercial, which will demand patient consideration and wise solution. Let me hope that the active workers will rise equal to the occasion and direct their attention to fruitful channels which may redound to their credit and be productive of the highest beneficence to the country. Meanwhile India cannot but express her warmest gratitude Great Britain for her magnificent Navy which has kept the wide seas open to all neutrals for purposes of commerce. But for that invaluable service which that Great Armada, commanded by the gallant Admiral

Sir Jhon Jellicoe, for surpassing that which Queen Elizabeth put forth to vanquish her enemies, has rendered and is rendering to the peaceful world at large, we do not know how the foreign trade of this country might have suffered and how crippled might have been its great internal trade. Indians should bear in mind with undying gratitude this great service the British Navy has been doing all throughout this horrible war. With these words I once more bid you, brother delegates, a cordial welcome to this great city and request you to proceed with the election of your President for the session now open.

———

AGRICULTURAL BANKS IN INDIA

[The following article was contributed to the first number of the Indian Journal of Economics, Allahabad in January 1916.]

"If there be one place in the world and one people in the world whose interest we are bound to consider, it appears to me that country is India, and that people is the population of India. Mostly through the policy of our fathers, that vast Empire, with its countless population, is placed under the Government of England. It may remain so far a long period; but be it long or short, we, at least, who have not the responsibility of the conquest, and do not look for further acquisitions of territory there, we have a great and solemn duty laid upon us, a duty in which our own interests are concerned just as much as the interests of the population of India. If there has been wrong done to the people of that Empire in past times and doubtless there has been much wrong, let us in our day and generation, at least, if possible, make such compensation as may be in our power by dealing out to them, in every form which comes before us, that mercy, and that justice which a distant and conquered people have a right to demand from us."—John Bright, at a meeting of the East India Association held on 5th July 1883 to hear a paper by Sir William Wedderburn on "The Poona Ryot's Bank: a practical Experiment."

Agricultural indebtedness, though world-old, is one of the most difficult and complicated of modern economic problems. In Europe experienced heads have tried to solve it with fair success. But in India nothing noteworthy has been hitherto attempted to ameliorate the condition of her impoverished and indebted peasantry. It is not within the scope of this paper to trace the

origin and causes of such impoverishment and indebtedness. Its object is to discuss the ways and means most practicable for the emancipation of that indebtedness for which there are no two opinions. True it is that during the last half a century spasmodic efforts have been made for some practical scheme which had been much commented upon. All these may be said to be more or less of an academic character. The only one practical attempt made on this side of India was about the year 1880. The disastrous famine of 1876-77 had led in the Deccan to serious agrarian riots. Their seriousness was such as to oblige the Government to appoint a Commission to investigate into causes thereof. The Commission was presided over by an exceptionally able civilian in the person of Mr. (afterwards Sir) Auckland Colvin. The report was published in 1879 and clearly traced to their root the causes of the riots. Intolerable land revenue enhancement was pointed out as the principal reason of the indebtedness. In his admirable brochure Sir William Wedderburn, of the Bombay Civil Service and widely known for his deep and abiding sympathy for the impoverished ryot, most impartially pointed out the burden of such revenue enhancements and suggested means by which the burden could be mitigated and the heavy indebtedness diminished to a reasonable extent. Meanwhile as a corollary of Mr. Colvin's report the Government of India, during the Viceroyalty of that benign and sympathetic statesman, Lord Ripon, passed an enactment known as the Deccan Agriculturists' Relief Act. It was a technical and most complicated piece of legislation which was engineered in the Viceregal Legislative Council by Sir Theodore Hope, a distinguished Bombay Civilian and well-known for his vast revenue

lore and administrative capacity. But it was severely criticised for many of its provisions, on economic grounds, by another equally able Bombay Civilian, Mr. (afterwards Sir) Raymond West, in a brochure which may still be studied with profit for its juridical and economic arguments. The Act was to be applied in the first instance to the four most severely affected and heavily indebted districts of the Deccan and its extension to the other districts was contemplated as experience prompted. The technical provisions of the Act demanded that it should be properly administered by a competent and qualified Judge. Accordingly the post of a special Judge was created for the purpose. The official annual report was held by the critical public to be more or less optimistic. And as years rolled on it came to be pronounced by those who had close knowledge and experience of its working to be a comparative failure. The popular verdict eventually became so accentuated that a Committee was appointed in 1913 to report to the Government on its operations. It was presided over by an able Civilian, Mr. Arthur, and its report confirmed the popular verdict.

It may be useful to note at this stage that Sir James Caird, the President of the first Famine Commission of 1878-79, who was requested by the Marquis of Salisbury, then Secretary of State, to furnish him with a separate report of his own on the condition of India, was so deeply impressed by the heavy agricultural indebtedness of almost a hopeless character, of the Indian peasantry, that he formulated his own proposal for its mitigation.

After criticising the land revenue policy of the Government, to which he had many serious objections, Sir James observed as follows: " Whilst the majority of

the Indian cultivators may indeed find it necessary to adhere to the Native principle of continuous tenancy, a Government such as ours in India should offer every facility for changing the tenure to freehold, both because it can be done without loss of revenue, and when and in the process of doing that, change would enlist the willing help of the most numerous and most industrious class in improving the yield of the land, and unite their interests with that of rulers through whom alone their possession would be assured. For this object I would suggest that a Freehold Commission might be established in each province, who on the requisition of any occupier under Government should be empowered to change his tenure to freehold, at a valuation to be made by the officers of the Commission, on such terms as might fairly represent the freehold value at the time. The present sytem of handing over the right to mortgage the public land, without payment for it, is both a wrong to the general community whose interest in the property of the State is thus encroached on, and an evil to the ignorant cultivator, who in this way acquires the too easy command of means without the labour and thrift which could enable him to value and retain the boon. The price of conversion might be paid either in cash, or in a rent-charge equal to the yearly value of the price, which might at any time be redeemable. It would then be in the power of any occupier under Government to convert his tenure to freehold by a moderate exercise of industry, frugality and self-restraint. There is a reasonable apprehension in the minds of many experienced Indian officials in regard to the policy of fixing a permanent limit to the land revenue. It may, therefore, be useful to show that this system of redemption would not diminish the growth of the public revenue. Let us

suppose that Government would accept redemption on the plan of 5 *per cent.* per annum paid half-yearly, to redeem principal and interest in 35 years. This is the rate at which loans for the purchase of the freehold of their farms by Irish tenants are advanced by Government. But no advance of capital would be required in India, as in Ireland, this operation being for the redemption of the Government land, which is the capital. There would not, therefore, be that risk which must attend advances of capital made by Government to one class of its subjects out of the general fund. A landholder could begin to redeem by paying double the present assessment. For example, a man holding 20 acres, at the average rent of one rupee an acre, who desired to convert it into freehold —the land being, we may suppose, estimated as worth 20 years' purchase—would have to redeem 400 rupees, the redemption rate upon which, at 5 *per cent.* would be 20 rupees. He would thus have to pay 2 rupees an acre for 35 years, one being the present rent, and one for the annual redemption. At the termination of the 35 years his land would be his own property. A very moderate amount of thrift and industry would accomplish this, the average present rate of assessment is so low. For the cultivator in British India would, even with this addition, still pay no more than the common rate charged to their tenants by the rulers of Native States. And how would the Government stand? There must be an absolute exclusion of the use of the redemption fund in anything but the payment of public debt, or the purchase of the guaranteed railways, or when these are exhausted, loans for reproductive works."

It will be seen from the long extract just quoted that Sir James Caird's practical solution of the ryot's

indebtedness was the formation of a free peasant proprietary in the country. Of course, there is still the burning controversy whether the State can be held to be the owner of all the land in the country, or its tillers and occupiers. Sir James entertained the opinion that the State was the owner and therefore went on the tract of converting that ownership into the freehold property of the peasant. Keeping aside this controversy, which is not quite relevant to the subject treated here, it may be observed that the scheme of copy freehold propounded by Sir James Caird will be admitted by all those who have carefully endeavoured to solve the problem of the indebtedness of the Indian peasantry, to be the best and must still hold its supremacy against all other panaceas suggested from time to time. It should be remembered that Sir James was one of the recognised authorities on agriculture in general and specially in reference to Western agriculture. It was owing to his expert knowledge and great practical turn of mind that the Marquis of Salisbury had specially enjoined him to make a separate report on the condition of the agricultural masses of this country. It should also be remembered that Sir James did not come to India to learn the conditions of the Indian people for the first time. As he himself observed in his rejoinder dated 28th August 1880 to the Despatch of the Government of India No. 38 of 1880 to the Secretary of State, he had been a careful student of the subject for several years before, specially by reason of his being a member of the House of Commons. For a clearer apprehension of Sir James Caird's full competency to speak as an agricultural authority on the Indian

peasantry, the following extract may be quoted from his letter just referred to.

"The concluding paragraph of the Despatch refers to the shortness of my stay in India, and my want of acquaintance with the language, habits and customs of the people as disqualifications for forming a sound opinion on the case. The first would be an objection equally valid in any case where a physician is called in for consultation or a Viceroy, Governor or other stranger to the country is for the first time appointed to a leading post in India, and in regard to the second, the variety of language, habits and customs is so great that no one, even of the permanent officials there, can hope to master them. But the subject has been long under discussion. I was present at and took a very humble part in the discussions and divisions in Parliament 20 years ago, when the Government of India was taken from the Company and committed to the Crown and have since attended Parliamentary Inquiries on India and have carefully studied the evidence of the most capable administrators of that country. The opinions I have been led to form, whatever may be their value, are at least the result of long and careful study, completed and applied by personal observation and inquiry in India itself."

The Secretary of State had passed on Sir James Caird's a separate report to the Government of India for their opinion. That Government was then presided over by Lord Lytton as Viceroy. The most prominent member of the Council as well as the most dominating was Mr. (afterwards Sir) John Strachey. By the time the Government of India submitted their opinion to the Secretary of

State there was a change of Ministry in England. The Conservative Cabinet of Mr. Disraeli was succeeded by that of Mr. Gladstone. The Marquis of Hartington was the Secretary of State for India. The Indian Government's Despatch of 8th June 1880 was, of course, addressed to him. So far as the scheme of Sir James Caird for the creation of a freehold peasantry was concerned, they observed as follows :—(Para. 33—redemption of land revenue) "Though Mr. Caird advises that the power of transferring their lands should be withdrawn from landholders for their own and for their country's good, yet he at the same time recommends that all landholders should be allowed to redeem the land revenue payable on their holdings by paying double rent for thirty-five years. Over the lands thus redeemed, the landlord would of course, have the fullest possible power of transfer, sale and mortgage. It might, perhaps, be observed that this proposal, to allow the landholder to redeem his land revenue and create for himself a "freehold" is somewhat inconsistent with the recommendation that the power of transferring their lands should be withdrawn from all land-holders; but we for our part apprehend that much good would result from any strengthening or improvement of tenures in land, provided that the boon can be given without serious pecuniary loss to the State. . . . . But such redemption would have to be at the rate of 25 years' purchase of the land revenue, and it is doubtful whether, in the country where the interest of money ranges from 6 to 12 *per cent.*, any large sums would be invested in redeeming the land tax at a rate yielding only 4 *per cent.* interest on capital. If such redemptions were ever made on a large scale we then think the Government of the day should hesitate to

invest its capitalised revenue in public works, though the money might very well be used either in redeeming the national debt or in converting it from 4½ to 3½ *per cent.* stock".

It will be seen from the two extracts just quoted that the Indian Government of the day were totally unfavourable to Sir James Caird's project. The inconsistency, they point out, regarding Sir James's views as to alienation of State land had reference only to the then existing conditions of affairs. But that alienation would, of course, be inoperative as soon as the freehold scheme was substituted. So that there was no inconsistency whatever in what Sir James had urged and the transparent fallacy of the line of reasoning adopted could be easily discovered. And as to the rate of interest it is true that the ordinary one ranges from 6 to 12% for all financial and commercial transactions. But it has hardly been the case that landowners obtain such a high rate of interest on their lands. The owner of a land deems himself exceedingly lucky to obtain from 4 to 5 *per cent.* net, after all rates and taxes and other charges on his land are met. So this specious official argument cannot hold water. But it may now be not unprofitable to quote the reply which Sir James gave to this part of the despatch of the Indian Government. He had already met Sir William Wedderburn at Ahmednagar and had the benefit of his varied experience in matters of land revenue and land tenures. Sir William was greatly in favour of a return to the older system of a settlement of revenue in kind which was so elastic and which was also self-adjusting, according the quality of the harvest of each monsoon, and so beneficially in vogue in many

a Native State. Sir James was much impressed with it: so he observed in his rejoinder as follows :—

"This (meaning Sir William's) scheme of freehold tenure acquired as described in my report is the goal to which our aim should be directed. There are more ways than one of reaching it and whether it be by this, or by any other plans as are developed in my report, or by both, there will be no safety to the people or Government of India till some self-acting principles of progress are adopted. A system of which it can be said with too much truth not only that it exhausts the soil, but that the rent paid by the Collector to the State is often doubled by the exaction of the lower class of native officials, through whom payment is demanded, admits of no defence. What is required on the part of the State is a clear recognition of the problem to be solved, and a course of action which will bring order out of blind routine and secure the just reward to industry and thrift." That was the final verdict of Sir James Caird on the hide-bound system of land revenue to which the Indian Government has tenaciously clung and still clings from motives which it is impossible to fathom. To those who have impartially studied the problem in all its phases, it is as clear as the noonday sun that Sir James Caird's scheme of redemption of the land revenue was the best solution of the agrarian problem. Viewing it by the light of the conditions that have prevailed since 1880, the present writer has no hesitation in observing that it would have proved of incalculable benefit to the Indian peasant and the Government alike had it been adopted. For the great misfortune of India Sir James Caird's scheme was vetoed by the conservative bureaucracy in this country

and by their counterpart in the India Council. Under any circumstances, the experiment was worthy of a full and fair trial in a single province, say, like that of Bombay or Madras where the ryotwari system is so universal. But no chance was given to it and it was strangled at its birth. Thus the very first constructive effort to redeem the indebted peasantry failed owing entirely to the stubborn opposition of the infallible bureaucracy.

Let us now turn our attention to the outside non-official endeavour, so disinterestedly and conscientiously made by Sir William Wedderburn himself. But before his scheme is referred to at some length, which is necessary for a clear understanding, it may be useful to mention the small palliative measure which the sympathetic Government of Lord Ripon adopted to give a kind of help to the ryot to enable him to make small improvements on his land and otherwise to meet his pressing requirements. A resolution was published describing how the State could advance loans, generally known as *takavi*, to needy agriculturalists under certain limitations and restrictions. And though these advances are of a more liberal character at present than they were at the commencement owing to strong public criticism during the two severe famines at the close of the nineteenth century, it may be observed without contradiction that the advances are generally looked at askance by the ryots and therefore not so extensively availed of because of the trouble, vexation and even blackmail, to which they have to submit before the necessary advance applied for is given. Moreover it is a fact that it could not be obtained immediately. Circumlocution and red tape have to go their

round before the grant is sanctioned. Whatever official apologists may say in defence of the system at present in vogue there are no two opinions among the peasantry itself as to their unsuitability for all their immediate and practical needs. The *takavi* advances are a mere palliative and in no sense a help to the ryot to diminish the load of his indebtedness.

We now come to Sir William Wedderburn's project. So much did he consider the eminent expediency of ameliorating the unhappy and desperate condition of the Deccan ryot that he had, after serious consultation with many leading citizens and bankers, proposed an Agricultural Bank with a modest capital to be tried in one of the districts of the Deccan. It would be well were the scheme to be related here. The following is an extract from the speech he made in London at a Meeting held on 4th July 1883 at which Mr. John Bright presided and where he propounded the scheme which had been resolved in Poona.

He said his object was—" to ask for help in obtaining for the undertaking the support of the English public. Though land banks had prospered in other countries they were new to India. The first thing to be done was to acquire a certain amount of local and special experience by observing the actual working of such an institution in India. This it was proposed to do by starting an experimental bank, under good local management, upon a limited scale, and within a limited area. For various reasons the Poona district had been selected for the experiment, the system followed would be that which had been found most successful in practice elsewhere, modifications being gradually introduced as experience

may suggest. It was necessary to have a clear view of the peculiar position of the cultivator. . . . . In March, 1881, a rough project for an agricultural bank was drawn up under the auspices of some leading capitalists in Bombay, and the Hon. Mr. Mandlik introduced in the Local Council a Bill for its due incorporation. The Government of India responded in the most liberal spirit, agreeing to carry out a voluntary liquidation by way of experiment in one division of a Deccan district in the way proposed. They also agreed to advance the cash necessary to compromise the claims, the amount to be collected from the ryots in moderate instalments over a term of years. A similar liberal spirit has been shown as regards the collection of the bank's future advances. The Government have agreed that the bank's advances should be treated as advances made under the Land Improvements Act, and recovered when necessary through the revenue officers of the district and village, instead of by the Courts and bailiffs. The policy of the Government was announced in November 1882 by Major Baring (now Lord Cromer) in his speech on the Bill to amend the Land Improvements Act. He explained that Government wished as far as possible to improve the system under which agricultural advances from the Treasury were made and recovered under the Act, but that they hoped much more from the encouragement of private enterprise. Meetings were held at Poona, and a committee formed; and on the 23rd of November 1882 an influential deputation of leading capitalists waited on his Excellency Sir James Ferguson at Government-house, and set forth in some detail the arrangements which, according to their experience, would be the best in order to establish

an experimental bank in the Poona district. In reply to this address his Excellency expressed his sympathy with the movement, and mentioned that he had personal experience of similar institutions in the Australian Colonies, which had been very successful. He referred specially to one in New Zealand whose working capital was three millions sterling, which had paid a dividend of 15 *per cent.* for many years, and had accumulated a reserve fund of £300,000. The special advantages of India as a field for such an enterprise are the large margin of profit from cultivation when capital provides irrigation and manure, the merits of the ryot as an honest debtor, the existence of a skilled agency for money-lending and the favourable attitude of Government. He wished all present could witness the almost magical transformation effect around the city of Poona by means of water and manure. In no other country does capital employed upon land give so rich and so certain a return. The ryot is a model paymaster, being filled with a religious desire to pay his debts—not only those incurred by himself but also those incurred by his father and even remoter ancestors. To leave ancestral debts unpaid is in his eyes a shameful thing; it is as though he refused to his father due funeral rites. This strong religious sentiment is indeed the sheet anchor of the ryot's credit. In the hereditary trading class of India is an unrivalled agency for the distribution and collection of loans. At present the actual money-lending business of the Deccan is in the hands of native soucars, chiefly Marwaris. These local capitalists thoroughly understand their business; in each village they can tell you to a nicety the means and character of the individual ryots, and they are very shrewd,

patient and economical in their management. About one-half the total capital acquired has already been offered from the four Deccan districts. As to the special disadvantages attaching to such an enterprise in India from a banking point of view, there is no real and serious difficulty except that arising from the poverty of the individual ryot and the want of solidity in the security he is able to offer. He is, indeed, the absolute proprietor of his holding, subject to the payment of the Government assessment; and if this Government demand were either fixed or limited in a definite way, the security would be good; but this is not the case, the demand being liable after every thirty years to an enhancement which may swallow up the margin of profit upon which the mortgagee depends. The Poona Committee have asked that in the area of experiment the existing rates should not be disturbed for a period of twenty years from the present date. He submitted that the facts set forth showed that the undertaking rests on a good commercial basis, and he asked the meeting to encourage the local efforts made in India by securing for the enterprise some active and effectual support in this country."

So far as to the laudable efforts made by the sympathetic Sir William Wedderburn in Poona for the establishment of an agricultural Bank as a trial. He had the full support of the Government of Bombay at whose head was Sir James Ferguson who himself had had great experience of such a bank in New Zealand. The proposal had also the cordial support of Lord Ripon's Government associated as it was with a financier of first class reputation as Sir Evelyn Baring (now Lord Cromer) who held the

portfolio of Finance Minister. Of course the proposal had to run the gauntlet of the Secretary of State for India in Council at Westminster mainly composed of retired Anglo-Indian officials long out of touch with the economic conditions of India, specially agricultural, then prevalent. It was well-known in this country how grievous was the condition of the Indian ryot generally after the great famine of 1876-77 as related in those ponderous volumes of the first famine commission which was so ably presided over by such an expert in agriculture as Sir James Caird. Under the circumstances, Sir William was wise in going to London for the purpose and specially enlisting the sympathy and support of leading parliamentarians and others who took a keen interest in India and her people. He was able to convene a meeting of some of these at Exeter Hall, under the auspices of the East India Association whereat Mr. John Bright presided. No better Englishman could have occupied the chair having regard to the fact that for years together, say from 1850, he was the strongest advocate of Indian interest in the House of Commons. Sir William read his paper there from which we have already given a copious quotation. But it is important to recall some of the salient observations which Mr. Bright made on opening the proceedings at the Meeting. After stating that the question which the meeting had to consider was in no way controversial or had any reference to the policy of the Indian Government, he proceeded as follows: —"Great as is its importance at the present time, every day its importance is increasing, and if now it should be neglected, the time must come before long when it will force itself upon the opinion and the policy of the

Government of India and the Government at home." How prophetic seems to be this utterance fully 33 years after. Is there any doubt in the mind of any impartial person, who has carefully watched the steadily declining condition of the Indian ryot from 1876 downwards, that the subject has absolutely forced the attention of a Government not too willing to broaden its angle of vision and generally hide-bound in matters agricultural, notably since the date of two severest famines at the very end of the nineteenth century. In the interval between 1876, when there was a general famine throughout the land and 1896-97 and 1899 and 1900, the deteriorating condition of the agriculturist was the general theme in the press of the country and among many onlookers, agrarian riots, here and there, more or less serious, were not uncommon. We may only instance the one at Pubna in the Bengal Presidency. Again, the various pieces of tenancy legislation which were passed by the imperial and some of the provincial councils to improve the condition of the ryot, were conclusive evidence of the fact. Indeed, at one time, after the Pubna riot, there were not wanting some articles even in the English press apprehending agricultural danger in the near future. The London *Spectator*, then a weekly liberal journal most well-informed on Indian affairs, had an article headed "The Great Indian Danger," in which the writer seriously surveyed the entire position in 1882 and considered that there was in the future no great danger to India than the impoverished and almost heart-rending condition of the agriculturist. It was no exaggerated picture that he drew, but a most faithful one. The object of the writer was to rivet the attention of the Home Government and

the British people alike on the subject as demanding some satisfactory measures of ameliorating that condition. The following extracts tell their own tale.

All accounts, independent and official, show that the ultimate difficulty of India, the economic situation of the cultivator is coming to the front in a most disheartening way, and is exciting among the most experienced officials a sensation of positive alarm.

After describing the condition of occupiers in permanently settled territories in Bengal and the Pubna ryots, the writer further proceeds to observe as follows :—

They (the officials) in fact, dread lest the spirit of resistance to rent already manifested in Pubna and other fertile countries should become general and end in a movement, a passive insurrection with which the Government could not cope, and which might break the sheet anchor of Indian finance, the Land Revenue of Bengal. . . . In the Mahratta country matters are even worse, Mr. (afterwards Sir) William Hunter's speech on the condition of the peasantry there, wisely telegraphed *in extenso* to the *Times*, was uttered before the Viceroy in Council by a servant of their own and was uncontradicted. Mr. Hunter declares that in the wide Mahratta country, filled by the people who once conquered Central India and defied us, people made for guerilla war, the situation is going from bad to worse till the peasantry, by the admission of the special Judges appointed to examine their debts, not only cannot pay them but cannot pay the Government assessment, their only rent, and have, in fact, "not enough to support themselves and their families throughout the year." This means that in these great districts, which are fertile, though possibly overcropped, the population lives in bad years upon the verge of starvation, and is perpetually increasing its permanent debt which can never be paid except by the surrender of the fields, without which peasants consider their case desperate.

No doubt small pallative measures in this and that province have since been introduced and worked

in a rough and ready fashion. It is also true that owing to the more extensive construction of railways new markets for the produce of the cultivators have been opened. It is also true that a vast quantity of what is called culturable waste land, has been brought into use with the view of leading hundreds of thousands pressing on a limited soil for means of subsistence. Again, owing to the establishment of cotton, jute, tea and other industries, a fraction of unemployed labour has been supported and lastly valuable merchantable crops like cotton, jute and seeds have been raised in larger quantities with better remunerative prices. All these factors, it may be admitted, have for the time somewhat relieved the parlous economic situation of the agriculturist. At the same time other factors have contributed not a little to the great costliness of living which obliged the Government only the other day to institute a commission of inquiry into its causes.

Revenue enhancements at the same time have gone on all over the country during the last 30 years so that there is a strong conviction in the minds of the most well-informed in these matters that the agricultural condition is no better than what it was in 1883, if any thing worse, having regard to the two appallingly severe famines at the close of the 19th century and the havoc played by the plague. But to return to the further pertinent observations which Mr. Bright made at the London Meeting:

The fact—if it be a fact—that 80 per cent. of agricultural population require to borrow is an astounding and distressing fact; the fact that 30 per cent, are so hopelessly poor you can scarcely expect to improve their condition by lending to them, and the fact that 50 per cent. require loans and

require them with a fair chance of their being able some time to re-pay the loans, these facts seem to show that the vast bulk of the agricultural population is in a condition very unsatisfactory . . . Now the object of this Meeting to-day is to discuss a question and a scheme which proposes to offer to the Indian cultivator a reasonable amount of loan for a reasonable interest, and to improve the mode in which the interest is annually collected, so that it would not be necessary to go through the Courts, and to make an absolute ruin and a beggar of the man who finds that he is behind in the regular payment of his interest. . . . It would be a very great advantage to India if this system could be established in such a manner that confidence in its solidity and security should be created in England, and that the managers of these loan societies or banks—loan societies, perhaps, is a better name—should be able to secure additional funds in this country, invested by capitalists here, in order that they might have power more widely and extensively and completely to carry out a system which seems likely in my view, and in the view of many much more competent to judge than I am, to be of immense advantage to present cultivators in India. . . . While it would set them free from this extreme pressure, it would give the ryots hope with regard to future, and every man on his little farm would cultivate it with more resolution, and I doubt not with more success, if he had a confident or a fair hope that this industry would be fairly repaid. . . . The prospect—the political prospect—in India would be greatly improved if such a scheme as this could succeed, because if you have the vast population in a state of constant distress, they must be in a state of constant discontent of some kind and if it were possible by some large and widely extended scheme of this kind to bring comfort into the homes of the cultivators, there could be no doubt that, with more comfort and a greater degree of happiness in their families, there would be a greater degree of contentment and they would look up with somewhat more of satisfaction to the Government who controls their affairs. . . . . If there be one place in the world and one people in the world whose interests we are bound to consider, it appears to me that country is India and that people is the population of India.

Truer words were never better spoken by a sterling Englishman whose deep and abiding sympathy for the

masses of India never bated by a jot till the last day of his life. I unhesitatingly state that what Bright said 33 years ago is truer even in a more accentuated form to-day. Many other Englishmen of less distinction and renown have off and on expressed the same opinion specially during the aftermath of the last two severe famines. But it is sad to relate that neither the strong advocacy of John Bright nor the influence of well-known persons who had gathered at the London meeting was of any avail. The scheme was hung up by the India Council who had oracularly pronounced it in their great wisdom to be impracticable and the scheme remains till this day pigeon-holed. That was the fate which overtook the first and last attempt strenuously made by a body of non-official persons, English and Indian, to start a Bank for the relief of agricultural indebtedness by private enterprise with the small assistance of the State. Between 1883 and now many grave political events have occurred and many have been the changes in the economic condition of the country which affected its people for better or for worse. In 1885, there was the Penjdeh scare which created a huge financial deficit which was partly met by new taxation and partly by raids on provincial assignments prevalent at the time. At its heel came the peremptory order of the then Secretary of State, no other than Lord Randolph Churchill, to augment the Indian army by an addition of 10,000 English and 20,000 Indian troops, in face of the strong minute of dissent of the two ablest members of Lord Dufferin's Government. Sir Auckland Colvin, the Finance Minister, and Sir Courteney Ilbert, the Law Member, protested against any need of increased troops at a heavy cost while the Simla Army Commission had only a few

months before strongly opined that for both internal defence and external aggression, the existing army was ample. The true reason soon became known, namely, the forcible acquisition of Upper Burma. This involved the re-imposition at first of the Income Tax, repealed in 1865, and of the increase of the Salt Duty later on from Rs. 2 to Rs. 2-8 per maund. In 1888 the impoverished condition of India, notably of the agriculturist, was so widely talked of in and out of the press that Lord Dufferin instituted a departmental inquiry altogether of a hole and corner character to investigate the fact. A report was published a few months later, which, in spite of its careful editing, revealed the fact that the popular belief of the impoverished condition of the cultivator was generally correct. While this was the case exchange difficulties of a serious character arose by reason of a continued heavy fall in silver. There is not the slightest doubt that its effect was to materially reduce the silver capital of the masses which has had no little influence on the deterioration of their condition. At the same time, import duties abolished in 1882, were again re-imposed. It was also found that after 1893, the annual harvests in one part of the country or the other were far from satisfactory. Scarcity prevailed till at last the appalling and disastrous famine of 1896 overtook the land when it became manifest how rapidly had the purchasing power of the people declined. It was followed the next year by a terrible plague unprecedented in its intensity the like of which was never known before. The loss of human life from the famine was startling as may be learnt from the report of the Macdonell Commission which was published. The agriculturists were exceedingly hard hit. Their number of live stock

the mainstay of the industry, was almost swept away, and it is a fact that the number which existed in the country prior to 1896 has not yet been made up. The plague also carried away a large number of the able-bodied agriculturists. The Census of 1901 fully relates the story of the havoc both from the famine and the pestilence. While yet unable to stand on his legs, the ryot, by a cruel fate, was once more hurled prostrate by another severe famine which occurred in 1899-1900. The dismal story of this calamitous visitation may be read in the pages of the third Famine Commission which was presided over by Sir James Lyall. Thanks to the generous policy of famine instituted by Lord Curzon, specially the policy of revenue remissions and suspensions on a liberal scale, the ryot was slowly resuscitated. He was able to crawl and it was not until 1905 that he again stood erect on his legs. He began his operations with a "clean slate" to use the words of Lord Curzon, to whom India so far is grateful for his statesmanlike famine policy. From 1905 and forwards India by mercy of providence has escaped those awful physical visitations which closed the 19th century. But it is useful to recall at this stage one important movement which has a great bearing on the condition of the agriculturists. So impressed were the people of England who had through the Lord Mayor raised a magnificent subscription for the relief of Indian famine at the opening of the 20th century that a representation of an exceedingly sober but convincing character was prepared and signed by the most influential and distinguished persons in London, from the Archbishop of Canterbury and well-known members of the two Houses of Parliament to others of various professions including merchants. That

memorial was submitted to the Secretary of State praying that in the interests of the impoverished and indebted agriculturist ryot, it was highly essential to appoint a mixed commission of qualified and experienced Englishmen and Indians to have an exhaustive inquiry into the economic condition of typical villages in the various provinces of the country. But grievous to say, it was refused on grounds which were exceedingly flimsy. It is a matter of profound regret to have to say that every laudable and reasonable appeal made to the Government here or at home to have once for all an independent and exhaustive inquiry into the condition of the wretched ryot has been uniformly refused. It has been broadly suspected, not without reason, that the agricultural poverty of the masses is the grimmest skeleton in the cupboard of the State. Whatever it may have done during the last forty years in mitigation of that poverty must be deemed to be mere palliatives. But we all know that in serious agricultural problems of vast magnitude, palliatives are worse than useless. A radical cure can only be found in a whole-hearted, well-reasoned and practical remedy suggested by the wisest and more experienced of the land. But, sad to say, no such remedy yet seems to loom in the near distance. The latest palliative of a more general character is the institution of the so-called co-operative credit societies.

Now, there is no reason to carp at the institution in these new fangled societies. Such societies elsewhere have been not for one but for many purposes and so to have those that have been started in India during the last ten years. It is not the object of this paper to criticise its merits or demerits whatever they may be. Official optimists have blessed them and so too many of

those who have been associated in their working in an exceedingly narrow and circumscribed circle. The Imperial Government itself was constrained after the first ten years of the operation of the Act to amend the original enactment passed in 1904 in order to correct the many defects which were discovered during the interval. But so far as these societies have been brought into existence for the purpose of relieving agricultural indebtedness, I for my part must pronounce them a failure. Long before the legislation was introduced into the Council, the conviction had grown on me that the only way to bring relief to the cultivator from his debt and make him comparatively prosperous for his own benefit as well as for the benefit of the State was by means of agricultural banks, more or less on the line of the Agricultural Bank of Egypt. I had expressed that conviction of mine as far back as 1901 in my presidential address to the Indian National Congress held in Calcutta in that year and the more I have paid attention to the subject, the more I am confirmed in that conviction. Without entering into statistics, it may be said that the majority of those 70 to 80 *per cent.* of the population who are engaged in agricultural pursuits are in an impecunious and indebted condition. At a very rough guess it has been estimated that the total amount of such indebtedness cannot be at the lowest estimate less than £250,000,000, say Rs. 375 crores. There are those who have put it at the higher figure of Rs. 500 crores. But take the lower estimate. Is it possible, even after 25 years of the working of the co-operative societies, that they could ever manage to wipe off this immense load of debt? Where are the members of such societies whose joint capital and credit can be of such of

nature as to command the relief sought for? In my opinion is beyond their power and capacity. The Government may tinker and tinker their legislation as they have the many Tenancy Acts in the different provinces. But what is the sum total of the result? Have the agriculturists been prosperous? Have their *takavi* advances and their miserable land improvements enabled them to grow two blades of corn where they before grew one? Can the authorities place the public in possession of any irrefragable evidence of the kind? If not, the only inference can be that these several legislative enactments have failed in their fundamental objects. To go no further, look at the Deccan Agriculturists' Relief Act of 1879, the doom of which the few far-seeing had foretold in that very year. We had optimistic reports every year from the special officer just as you are having optimistic reports of the new fangled credit societies. But even the best of optimism must give way before the grim sternness of facts. And so it was that slow-footed nemesis eventually overtook the optimism of the officials and it has thus happened that after 34 years of the operation of the Act, a Committee of the Government's own choice has pronounced its verdict of failure pointing out the several causes that have contributed to it. The same fact is bound to overtake the agricultural credit societies. Their constitution, the method and manner of their working and the new control and grip which the Government are going to have over them, all these must eventually toll their death knell. The indebtedness of the agriculturist is so colossal while the resources by way of capital of the societies are so extremely limited and hedged in by restrictions and limitations that there never can be any emancipation of the ryot from his

slough of indebtedness. Agricultural Banks are their only salvation ; and here we shall now point out how a single agricultural bank, established in Egypt, has achieved the most satisfactory results, beneficial alike to the fellaheen and gratifying to the state. The condition of the Egyptian cultivator is analogous to that of the Indian in many respects ; if at all, according to the official reports, a trifle worse. And yet what a beneficent change has come over the fellaheen since the bank opened its doors to lend to those who had a reasonable security to give and who stood in need of money from as low as £5 up to £500. The narrative of the institution of that bank is of so important a character that even at the risk of lengthening somewhat this paper, it is useful to relate it, and I should relate it, not in my own words but in the words of His Majesty's plenipotentiary in that country, one who had most ably conducted its affairs for twenty-two years and changed the entire financial and economic condition of its people for the better. Lord Cromer, then Sir Evelyn Baring, Finance Minister of Lord Ripon's Government, is a name to conjure with. He had been fully conversant with the condition of the Indian agricultural ryot. It was he who had introduced the Agriculturist Loan Act and had besides their permanent welfare always at heart. At the same time, he was no hide-bound member of the permanent bureaucracy and was thus able to have a broad vision of what were the needs and the requirements of the ryot and how he was to be saved from his indebtedness in order to be prosperous and become the greatest backbone of the state. If then such a competent personage discarded co-operative credit societies for the

Egyptian fellaheen and deliberately gave his whole-hearted support to the institution of the Agricultural Bank, is it not safe to assume that such a bank, if established in India, with such few local modifications as may be necessary would prove most beneficial to the ryot and the state alike. But along with Lord Cromer, there was another financier of great practical statesmanship who was even more directly concerned in the institution of the Egyptian Agricultural Bank. He was the late Sir Elwin Palmer who had been for fifteen years in India and had known all about the condition of the Indian agriculturist even more intimately than Sir Evelyn Baring. When in 1904, so much was loudly talked about the marvels and miracles which the Co-operative Societies' Act was declared by its sponsors to achieve I was irresistibly impelled, for my own complete satisfaction, to address him a letter inquiring whether from his experience of the economic condition of the agriculturists when in India, he would recommend for the ryot the co-operative credit societies which were then to be brought into operation under the Act then passed. Below I reproduce verbatim his reply dated 15th November 1904 :—

In answer to your letter, I have much pleasure in sending you a copy of the Agricultural Bank Concession, a copy of its statutes and my last annual report. The bank has greatly progressed this year, we now have over £3,500,000 out in loans, the number of loans being about 115,000. The Bank is doing untold good to the people who now get money at a reasonable rate of interest. It is the only system that has ever succeeded. Co-operative Credit Societies in the East are all nonsense. Any one who knows the natives, knows they will never co-operate. I was fifteen years in India in the Financial Department and I know full well how much a bank as ours is wanted there ; but it must be on the same lines exactly. We are fast eradicating the usurers from the villages. I

started the system myself when I was Financial adviser here and I am now President of the Bank. I have this year started giving advances of selected seed and manure besides money. It is having a wonderful effect. Already this is done in conjunction with the Agricultural Society who provide the seed and manure.

The above letter was written in 1904 when the Bank was just started. To what colossal proportions it has reached at present and to what amount its original capital of 2½ million pounds has swelled besides the amount of debentures it has raised will be related immediately in the sequel. But here is the testimony of a distinguished financier, who was its founder and most successful Governor and who had himself served in the Indian Finance Department for many years, as to the worthlessness of the Co-operative Societies to render any permanent good to the ryot.

We now come to the observations made by Lord Cromer in his successive annual administration reports of Egypt on the subject of the indebtedness of the fellaheen and the initial method of assisting them by loans from the National Bank of Egypt till the establishment a few years later of the Agricultural Bank. In his report for 1898, he observes :—

In my reports for the years 1895 and 1896, I explained that as an experimental measure, the Government at one time advanced £*E*10,000 in small sums to the fellaheen. The experiment proved sufficiently successful to afford encouragement for private enterprise to enter this field of action. The Egyptian Credit Foncier consented to lower the minimum amount of its advance to £*E*100. In as much however, as the advances made by village money lenders are generally in small sums of less than £*E*10, it was evident that the limit of £*E*100 was still too high to reach the majority of those whom it was desirable to relieve. A further tentative step has now been taken in the direction of dealing with

this question. The newly created National Bank is about to make advances of small sums to £20 at 9% interest. Further the Bank offers advances up to £100 at the same rate of interest to those who wish to pay off their old debts; repayment to Bank will be made in five yearly instalments due in October of each year, that is to say at the time the cotton crop is gathered. All such advances will be reported to the Government who will instruct the tax collectors to enter them on the "Wirdes" and effect the recoveries with the taxes. The 9% interest will be distributed as follows:—1½% will be paid to the local Agents of the Bank, ½% will go to the tax Collectors, the remaining 7% will be retained by the Bank which will be put to some expense, notably in the direction of appointing a thoroughly trustworthy European Inspector who will visit the villages and control the actions of the local agents. The services of an official of this description are indispensable. The experiment will for the present be tried in one district only. Should it prove successful the Bank will be prepared to extend its operations." At the time the prevalent rate of interest for the money-lender to charge the fellaheen was 40%. Lord Cromer was fully conscious of the fact that his scheme was a beginning only and it was in an experimental stage. No doubt, there were evils attendant on advancing loans at 9%, the principal one being the temptation to the cultivator to use his margin and indulge in improvidence. Though conscious of this chief objection and also of some minor ones, he had the courage to give the scheme a fair chance and not to refuse to allow it to be tried at all as the wise men of the India Council did in respect of Sir William Wedderburn's proposal. Lord Cromer observed that while he was perfectly aware of the objections in his opinion they did not constitute a sufficient reason for total inaction but they enjoin watchfulness with a view to deciding, by the light of the practical experience which will eventually be gained, whether it will or will not be desirable to continue the experiment now in course of progress.

The experiments it need hardly be observed, went on till 1902 all throughout under the auspices of the State Bank, namely, the National Bank of Egypt. Each

year improved the imperfections found in the previous one, while the loans became so extremely popular that the experiment came to be extended to almost half of Egypt. We shall pass over these experimental stages of progress all round so as to narrate how it came to pass that the State Bank, for sound and obvious reasons transferred this part of its business, namely, advances to the fellaheen, to a special bank established for this and this purpose only. But here we may bear in mind the very sound and shrewd observation which Lord Cromer made in his report of 1899.

It was felt, however, that no permanent success could be obtained unless the philanthropic considerations which cluster round the treatment of this subject were so far discarded as to place the matter on a sound commercial basis and thus insure to the Bank an adequate remuneration for their capital outlay.

Quite convinced of the success of the experiment, the final step of having an independent Agricultural Bank with a large capital to meet the growing applications for the loans was taken. In 1902, such a bank was first established with a capital of 2½ millions sterling. Interest at the rate of 3% was guaranteed by the Government. There was nothing unusual in such a guarantee, having regard to the magnitude of the operations to be undertaken. This is the kind of initial state aid which ought to be afforded by the Government of India to such an agricultural bank which might be established in this country by purely private enterprise on an absolutely sound basis and with a fairly large amount of capital. The Egyptian Government was wise in giving such a guarantee which, so far as my knowledge goes, it has never been found necessary to utilise. It was arranged that the rate of interest for advances to the fellaheen should be fixed at 9% only

Lord Cromer rightly observes :—"The distinctive feature of the Egyptian system is that, although the whole of the management is in the hands of the bank, the Government tax-collectors collect the sums due on account of interest and sinking fund." The commission allowed to the Government tax-gatherers was 1%, it being understood that these collectors of taxes collected the interest due to the bank and the instalments of principal at the same time that they realised the Government dues. Another essential part of the business was a highly paid but most efficient and honest supervision, which was deemed a *sine qua non.* In his report for 1903, Lord Cromer refers to the numerous inquiries made from outside countries as to the success of his experiment and states as follows :—"That plan is very simple, but it differs materially from any which, so far as I am aware, has been adopted elsewhere. Notably it is in no degree to be confounded with the co-operative systems in force in some other countries." The Bank went on flourishing till in 1906 its capital was increased to $3\frac{1}{2}$ millions with an additional debenture capital. There was an understanding that when the loans advanced had reached £7,000,000, the Bank should reduce its rate of interest to 8%. It may be useful to notice here the kind of loans which the Bank gives to the fellaheen :—Small loans, called A loans, not exceeding £20 secured by the borrower's note of hand only and re-payable in one sum within 15 months ; and larger loans, called B loans, not exceeding £500 secured by first mortgage on land worth at least twice the sum advanced and re-payable by annual instalments over $20\frac{1}{2}$ years at most. The capital in 1908 was over £10 millions and the total amount of the loans put out since the foundation of the institution

was over £15 millions, divided into £2 millions for A loans and £13 millions for B loans. The outstanding amount at the end of that year was £8½ millions divided into £92,000 on A loans and £8 millions on B loans.

In the Administration Report for 1909, it is observed that there was a set-back in 1907, after unimpeded success for so many years before. But it is certain that the monies of the loans were advanced for use for legitimate purposes. It says, "there is little doubt that a large proportion of the money borrowed was devoted to the purchase of land."

Lastly it may be useful to refer to the broad operations of the Bank for the year ending 31st January 1915. The total subscribed capital amounted in different kinds of shares to £3,740,000 sterling, while the Debenture capital bearing interest at 3½ per cent. amounted to £6,570,000. The outstanding loans at the date of the last year's report amounted to as under :—

		Number	Amount	Average Amount
			£	£
"A" Loans	...	5	192	38·4
"B" Loans	...	159,337	5,491,749	34·4
Total	...	159,342	5,491,941	

It will be seen what vast strides the Bank has taken since its formation and how usefully and beneficially it has been employing its total capital in shares and debentures amounting to £10,310,000 sterling. After payment of interest on Debentures and other annual statutory liabilities, it had £339,297 available for distribution among the share holders. It should be

remembered that the Bank was founded by European capitalists and financiers of the highest monetary reputation. The first directorate consisted of the following :—

Sir Elwin Palmer, President ; the Rt. Hon'ble Arnold Morley, Sir Vincent Caillard, Sir John Rogers, K.C.M.G., E. W. Percival Foster, C.M.G., and F. Von Leonhardt. Sir Elwin Palmer himself was the first President of the State Bank which is known as the National Bank of Egypt, and when the Agricultural Bank of Egypt was specially started and the National Bank transferred all its agricultural loan transactions to the new Institution for reasons which we have already stated, Sir Elwin became its first president till the year of his death which took place in 1909. His was the financial talent that started the Bank and carried it throughout most successfully. And he knew well, from his great financial experience and also from that of the operations of the continental Credit Societies, that the last were wholly inadequate and unsuitable for the purpose of relieving the agricultural indebtedness of the fellaheen and for ameliorating his economic condition so as to make him prosper and be the strongest backbone of Egyptian finance. We are quite confident that had that distinguished financier's life been spared he would have made it even more successful. All the same he had placed the Bank on a soild and secure foundation and clearly laid down the lines on which its future operations should be conducted having regard to the single aim and object for which it had been specially established. By the present president of the Bank, Mr. F. T. Rowlatt and the Manager, Mr. R. G. Westropp, the Bank is being carried on most ably, with the greatest caution and care, they being fully aware of the dangers to which, like other Banks, it

might be exposed in some economic or other crisis. As a matter of fact it was so exposed a few years ago when there was excessive land speculation followed by bad harvests which resulted in larger outstandings ; but the crisis was bravely weathered without the slightest financial injury to the Institution. The Anglo-Indian bureaucracy in this country which has been actively connected with the co-operative credit movement, has, we are aware, looked askance at this most successful Agricultural Bank, the reason for which it is not possible to guess. In all probability it is owing to want of knowledge of the true history of the Institution from the date of its inception. It may also be attributed to its angle of vision being so narrow and confined, as it is in so many other economic measures connected with this country. But to those whose vision is broad and whose financial sagacity is far-seeing there cannot be the least doubt that the only remedy by which the colossal indebtedness of the Indian peasantry could be satisfactorily relieved is the formation of one such Bank with a capital of at least one crore at the start in each of the provinces of the Empire. These banks alone can bring the ryot's amelioration. Freed from indebtedness once for all, Indian agriculturists are bound to prosper—indeed, prosper so much that they would steadily increase to a considerable extent the produce of the land and to that extent benefit the State itself. The exports of the country would take even larger strides than what have been witnessed during the last ten years, enabling the country to meet its annual obligations with the greatest ease.

What is wanted at the present juncture is courage and enterprise among Indian capitalists themselves in each province to start such a Bank tentatively. In a

colossal problem of such great moment for the future welfare of the nation no other enterprise could be more important than the foundation of such monetary institutions for the special behoof of the peasantry which directly and indirectly counts over seventy *per cent.* of the vast population. There is nothing to prevent for instance such a wealthy presidency as that of Bengal or Bombay from taking an initiative in the matter. Private enterprise alone is needed. State aid there should be, but it should be of an auxiliary character. It should be firstly by guaranteeing the Bank to the extent of 3 *per cent.* interest in case the bank itself is not able to pay in a single year that rate. In fact the guarantee would be of the same nature as that given to the original trunk railway lines for the first twenty-five years. If the alien railways needed that guarantee before the English capitalists put their money in them, surely the Indian Government in a matter of such supreme importance ought never to refuse a guarantee of 3 *per cent.* only to all agricultural banks, started of course on sound principles with such statutory limitations and obligations as they may deem fit to impose.

Secondly it should be confined, as in the case of the Agricultural Bank of Egypt, to their land revenue officers being told off for duty to collect instalments of principal and interest, of course on a payment of one *per cent.* commission, at the same time that the State revenue is gathered. But private capitalists should take courage in both their hands and follow boldly the scheme of the Agricultural Bank of Egypt so well and wisely founded by the talented Sir Elwin Palmer and so cordially and robustly supported all through its initial stages by so distin-

guished a financier as Lord Cromer. The details of this kind of Bank in all its manifold aspects might well be discussed by the syndicates which may be formed. No doubt modifications will be needed to suit local conditions. But there never can be any radical difference on the principle on which the Bank should be conducted and managed, it being a *sine qua non* of each Bank started that the rate of advance never exceeds 10 to 12 *per cent.* My firm conviction is that neither any member of Credit Co-operative Societies of the character now instituted nor any legion of Government Resolutions for control, audit and so forth would be of any avail if it really be our aim and object, once for all, to relieve agricultural indebtedness. The many petty soucars scattered over lakhs of villages in the country who now finance the impecunious ryot could be well and judiciously utilized for the purposes of such banks. In reality, they could be formed into a link in the chain between such institutions and the peasantry itself as they have already done in Egypt. What is wanted is a well considered and well organised start by sound men possessing the needed capital. Each bank is bound to attain its momentum and velocity as it progresses. Only great caution and circumspection are needed at the preliminary stages. Every element and every contingency which could prejudice the initial progress of such banks ought to be avoided at all cost and hazard. The banks should be directed and managed by men of financial experience, conversant with the needs of the agriculturists, with all prudence, caution and the highest commercial probity. Given all the conditions herein above formulated, I for one feel fully confident that such agricultural banks will prove the salvation of our peasan-

try and lead them as the years roll by to the highest prosperity compatible with the conditions of the country, under the all-spreading and beneficent ægis of British Rule.

THE CURRENCY QUESTION.

The following is the full text of the speech delivered by Mr. Wacha at the Allahabad Congress of 1892 where there was the imminence of the mints being closed against the Private Coinage of Silver.

In moving the following Resolution Mr. Wacha said :—

"That having regard to the diversity of opinion that prevails on the Currency Question, and the importance of the question itsef, this Congress desires to express its earnest hope that, unless its hands are forced by the action of any Foreign Power, necessitating a change in the currency or standard, which might prove injurious to the interests of the country, the Government of India will refrain from taking any steps, until the labors of the Brussels Conference have been completed : and further, that the Government will lay before the public, for discussion, the proposals which Lord Herschell's Committee may recommend before definite action, if any, is resolved upon."

You are all aware that if at this moment there is a burning problem of the day—a burning problem in the practical and satisfactory solution of which all the great nations of the world—great in strength and great in wealth—are deeply interested, it is the problem of Currency. It looks simple enough how to give tolerable stability to the ratio between silver and gold ; but it is superfluous for me to tell you, you who all well understand it, that though simple as the question looks, when you come to consider it seriously, you cannot help

acknowledging it to be one of the most difficult and complicated of economic problems which the latter days of the nineteenth century have to deal with. Neither can you help acknowledging that it is one on the correct solution of which entirely depends the economic salvation in the near future of a country so peculiarly circumstanced as ours,—a country, subject to foreign yoke, raising its revenue in silver and paying almost one-fourth of its obligations in gold; a country whose trade is mostly with a powerful and gold-using country; a country, in short, suffering at the present moment in an aggravated form from all the evils arising partly from the selfish policy of its rulers and partly from a mischievous piece of legislation in States far away but on whose silver mines it is necessarily obliged to depend. (*Hear, hear.*)

Some definite idea of the difficulties of the subject may be derived when I say that the ablest experts and the most experienced authorities broadly differ from each other, and that apart from the wide and radical differences of opinion prevailing among the greatest bankers and merchants of the West. Even the experts who were appointed by our gracious Sovereign as a Royal Commission on Currency in 1886, were unable to arrive at an unanimous decision on the subject. There was a majority report and a minority report, besides individual opinions and individual dissents. But the general tendency was to let the problem alone, lest a precipitate jump in the great unknown might lead to graver consequences of a more far-reaching character than those which were to be witnessed at the date of the drawing up of the final Report, namely, October 1888.

Such being the difficulties surrounding the problem, I take it for granted that you do not expect me here to descant on the causes of the present evils or to discuss at length the merits and demerits of the remedies proposed, specially those having reference to India, namely, the closing of the mint against the private coinage of silver and the introduction of a gold standard with or without a gold currency. It would be presumptuous for me to speak with anything like dogmatism on a matter on which the ablest experts in England and elsewhere are hopelessly at conflict. (*Hear, hear.*) From the tenor of the resolution just read to you, you will have understood what its sole aim and object is. It is this. We, the delegates in Congress assembled, earnestly desire at this critical juncture, when some action on the part of the Government is reported to be imminent, that it will refrain from either taking a leap in the dark or adopting precipitately a measure which might eventually prove to be infinitely worse in its consequences than the evils to be witnessed at present. (*Hear, hear.*) In doing so we are not going to commit ourselves to any particular panacea, proposition, or fad. We are not going to tell our rulers that we favour bimetallism or monometallism. Neither are we going to pronounce any decisive opinion on the proposal for a gold standard and gold currency or for closing the mint against private coinage. No. All that we do pray Government to consider is this. That having regard to the great divergence of opinion among experts themselves on the various proposals—one class confidently asserting that nothing but good can be their outcome, while another class asserting with equal confidence that nothing but greater evils can be the result —having regard to this divergence, as wide asunder as

the poles, it would be the part of wise and cautious statesmanship to pause before taking any rash steps which may involve the country in grave consequences from the effects of which it might become a formidable task to extricate it altogether. (*Hear, hear.*) Government cannot deny this wide divergence as revealed by the Royal Currency Commission, and, lately, by the Committee presided over by Lord Herschell, so far as we have been able to learn from the part evidence hitherto taken. Every remedy, when put to the test in the crucible, seems to be defective, that is to say, it presents its good as well as its bad side. While to add to the gravity of the situation, *none* is able to assert with confidence that there is a preponderance of advantages over disadvantages in the several remedies proposed. (*Hear, hear.*)

Gentlemen, I do not speak without the book on this subject. I refer you to the text of the Currency Report itself in verification of my statement. I beg to refer you to the entire Chapter III of Part I of that report which is signed by *all* the members of the Commission. Under such circumstances, I am sure you will agree with me when I state that it would be wisdom on the part of a deliberative assembly like ours to refrain from pronouncing any definite opinion on the various remedial proposals and asserting that we approve these and we disapprove those. (*Hear, hear.*) I think there is yet time to exercise the virtue of patience, aye, Job-like patience. I am aware that there are those who say that the Indian Government has preserved patience enough, and that it is the height of folly on our part to counsel further patience as the only counsel of perfection. But, gentlemen, we must all remember that in

a matter of such immense import as Currency—whose effects are always far-reaching and last for more than one generation—it would be considered a want of true economic insight on our part to be impatient. For, after all, what are fifteen or sixteen years in a period of what may be called economic revolution. Surely nobody denies that all the world over, not India alone, there is passing a great economic wave, the end of which we have not yet seen. As in matters physical, so in matters economical, the ordinances of nature stand good. You seldom have a clear sky while a hurricane is hanging on the horizon or actually brewing. It is only when the burricane has spent itself, and probably done its worst, that the atmosphere again becomes clear and nature resumes her normal condition. And as there are physical hurricanes which no human ingenuity can avert, so there are economical hurricanes which no human wisdom can enable us to avoid. In my opinion, we have not yet seen the worst of the present economic revolution; and unless the worst which is now looming on the horizon is passed, we will not see the end of our difficulties. Evils of this kind have to be endured. And, I repeat, that it is the part of wisdom rather to endure them than to face greater evils under the impulse of momentary alarm and under the delusion created by plausibilities the effects of which are an unknown quantity. (*Hear, hear.*) In the economic life of a nation, as in its political life, fifteen years are as a drop in the ocean. Posterity, in all probability, will condemn our impatience to reform the Currency in the dark, and curse us if we reform or improve it in a way which might entail on it greater evils than those we ourselves are enduring. (*Hear, hear.*)

Gentlemen, when I say that the virtue of patience should be exercised, I am not unaware of what a limited class of Anglo-Indians, mostly servants of the Crown, and a handful of non-officials (though not planters) who supported the official classes, speak as to such a waiting policy. A well-known official in Bombay characterised it as the "gospel of inertia," while another called it the "policy of drift." This limited class, and I believe I am right in calling it "a microscopic minority," is no doubt very impatient. It thinks the evils are intolerable and should no longer be borne. It is this class which is too eager to force the hands of Government. Now I do not deny the existence of the evils complained of. In fact none denies them. But, at any rate, so far as my personal knowledge is concerned, I have not yet heard a single individual of that impatient minority boldly telling Government that if certain remedies propounded by it are carried out, it takes upon itself the responsibility of saying that no harm to the general interests of the people of this country, specially the producers, will come of their adoption. (*Hear, hear.*) It seems that each and all shrink from undertaking that responsibility. But if these irresponsible persons shrink, is there not the greater reason for a responsible Government to shrink? (*Hear, hear.*) The fact is, gentlemen, that there is at present only a choice of evils—evils certain and known, and evils uncertain and unknown, but, according to all experts, of possibly greater magnitude. What, gentlemen, under such circumstances would practical wisdom suggest? Is it not prudent to prefer the lesser evil in order to avoid the greater and the unknown? (*Hear, hear.*)

The whole question of Currency, you will thus see, hinges on this *one* point, and I appeal to you all to realize the issues which hang on this momentous question.

When you have realised their gravity, you will, I dare say, admit at once that it is a question in which precipitate action of any kind is wholly to be deprecated, aye, vigorously resisted.

We, therefore, wish that this Resolution be submitted to Government with the view of postponing action till the results of the final labours of the Brussels Conference (which has now postponed its sittings till May, are made known, and till the Indian public has had the opportunity of considering the resolution at which Lord Herschell's Committee may arrive. We have full confidence in the wisdom of the Government of India that it will not take any hurried or rash step. Up to date, notwithstanding the agitation of the Indian Currency Association in the Presidential cities, Lord Lansdowne's Government has exercised great prudence and patience. The circumstance is, in my opinion, and I presume in your opinion also, not an unwarrantable assumption of its determination to take no action till it was reasonably satisfied that the proposed changes will in no way be prejudicial to the best interests of this great country. That it has been fully alive to the hardships and other embarrassments arising from the steady decline in the value of silver for years past, goes without saying. For the last sixteen years and upwards it has closely watched the dwindling rupee, and has half a dozen times earnestly drawn the attention of the India Office to the effects of low silver on the sterling remittances to the Secretary of State, and to the

fact of the growing difficulty of bringing about an equilibrium in the annual balance sheet of the Empire.

Soon after the demonetisation of silver by Germany in 1873, there was appointed a Departmental Committee at the instance of our Government, to investigate into the causes of the depreciation of that metal and its diminished exports to India, and to suggest remedies. It carefully went into the whole question, and had, I believe, the benefit of the counsel of the late lamented Professor Fawcett. (*Hear, hear*). The conclusions it came to may be briefly recapitulated here. (1) That the total remittances actually made to India in Government Bills and treasure together, in the ordinary course of business, have declined, but only on a slight scale. (2) That except for other causes, and excluding the extraordinary years of the cotton famine, there is no evidence to show that the demand for silver would have materially fallen. (3) But that the supply of a different form of remittance, namely, Government Bills, has superseded to a great extent the necessity of remitting bullion. (4) That the effect of this cause has to be measured in very large figures, as the yearly amount payable by India for the disbursements of the Home Government has risen since the Indian Mutiny from £5,000,000 to £15,000,000, a difference of which the magnitude will be appreciated when it is remembered that it is considerably more than half of the total amount of silver annually produced. (5) That the full effect of this substitution has only been recently felt, as that effect was retarded by the construction of Indian Railways, which involved an expenditure in India of money raised in England counter-balancing therefore an equal amount of expenditure in England of money raised in India.

(6) That the amount of the disbursements which has just been stated appears to represent the present normal expenditure of the Home Government, and that therefore, unless by some marked change of policy, no diminution of that amount can be looked for."

I need not wait to inform you, gentlemen, that the Departmental Committee hit the nail on the right head. It is the Home Charges which are such a dreadful source of evils. (*Hear, hear.*) The Committee insinuated a change in the policy which has led to those charges, but you all know that those have been increasing instead of diminishing, principally owing to the "forward" policy in frontier matters, which has been in such feverish ascendancy for the last seven years.

Again, in 1878, the identical proposals which are now put forward by the Currency Association, namely, the closing of the mint to private coinage, and a gold standard, were submitted by the Indian Government to the Secretary of State. These were referred for consideration to a Departmental Committee also, who reported that they could not recommend them for adoption. The principal objections urged against them, and reiterated by the Currency Commission (*vide* Part I of their Final Report—Section 176) were:—

(*a*) That by enacting a gold standard without a gold currency, it would be practically equivalent to the establishment of an inconvertible token currency.

(*b*) That the closing of the only mint now open to the free coinage of silver might have so serious an effect upon the market value of the mental, that it would be impossible to maintain the rate of exchange fixed upon.

(*c*) That it would not meet the real difficulty of the present situation in India, which is, that owing to the fall in all gold prices, a larger amount of produce has to be exported in payment of gold debts; and that consequently any apparent gain to the Government of India would be balanced by a corresponding loss to the people of that country.

(*d*) The danger of illicit coinage which would be grately increased if the exchange value of the rupee were raised much above its intrinsic value.

An enormous mass of literature on the subject has however accumulated since the currency commission published their report. But I should not omit to remind you at this stage that that Commission was composed of the ablest experts, with Lord Herschell, than whom a more impartial and capable judge could not be found, as President. Our own able Finance Minister, Sir David Barbour, as well as the late Sir Louis Mallet, permanent Under-Secretary to the India Office, were also on the Commission. Thus India's interests were ably represented in that body of experts. It took evidence of every class of witnesses. Anglo-Indian witnesses, official and non-official, were also examined; among the latter, such men as Mr. Bythell, Mr. Comber, Mr. Birkmyre, Mr. Maclean, Mr. Barr Robertson, Sir Evelyn Barring and many others. Mr. Dadabhai Naoroji himself tendered evidence as the Indian representative. (*Applause*) So also Mr. E. Sasson. Some of you may have read the evidence of some of these gentlemen and be aware of the general tendency of their respective inferences. Again, economists of the highest repute in Europe and the United States were invited to give an expression of their opinion on the general question, men like Professors Marshall and Dr. Soetbeer, Professors Nasse and Lexis, M. Lavelaye, Mr. David Wells, Mr. Dana Horton and, lastly, Mon. Vandenberg, President of the Java Bank. Thus every variety of opinion and every shade of it was elicited. Those views were closely examined from every conceivable standpoint, and if any person, as President, could have sifted that tangled mass of conflicting evidence and still more tangled mass of conflicting

and imperfect statistics, it was Lord Herschell. How imperfect and conflicting the latter were may be learned from the 5th paragraph of the opening report. The Commissioners observe, "that there is hardly any fact connected with it on which there are not considerable differences of opinion. When we proceed from facts to inference these differences naturally become more marked." (*Hear, hear*). The majority reported that it was not practical for any nation, *without united action*, to do anything to appreciate silver. They agreed that it was every way desirable and advantageous to the world, at large to have an extended use of the metal, but unanimity was absolutely essential for the purpose. But the whole difficulty lies there. How can an extended use of silver be brought about? Great Britain, France, Germany and the United States thought one way because their interests lay in one direction. Those are diametrically opposed to the interests of other countries, neither powerful nor great, who think another way. But it has been stated since, that inasmuch as the interests of the great nations are conflicting, India should be allowed an unfettered action to regulate her own Currency, apart from the exigencies of British-Indian finance! The interests of India, however, are in my personal opinion, so indissolubly bound up with those of England that I, for one, fail to perceive how it is possible to treat the question of Indian Currency without reference to India's financial relations with that country. It would be absurd to expect England with her gold currency and her loans and advances to foreign countries, amounting to hundreds of millions sterling, to agree to a change which would bring about an extended use of silver. Neither could the countries of Latin Union do

so. Nor for that matter could the United States, though for the present gold is leaving that country. The States are in reality suffering from the evils of their own creation,—I mean the Bland and Sherman legislation. In endeavouring to find market for the production of their silver mines they have really filled the goose that laid the silver eggs. The States sowed the wind and are now reaping the whirlwind, the effects of which are being felt here. (*Hear, hear*).

The Royal Commission carefully considered all the conditions which existed at the time it drew up its report, especially those of Indian exchange, and came to the conclusion that matters should be allowed to remain where they were, till further knowledge and experience were gained. Now, Sir David Barbour was upon that Commission. In 1885 he published a book on Bimetallism and propounded therein certain theories. But the knowledge and experience which he later on derived as a Commissioner must, I presume, have considerably modified his original opinions, and were he to re-edit the book, it would not be a matter of surprise to find him discarding some of those theories. Very few Indians and Anglo-Indians agree with him in the efficacy of the remedies he now advocates. He is, I admit, an excellent Finance Minister, who has consistently fought against the overgrown military expenditure of the empire, and deserves our thanks. (*Applause*). The bogeymen of General Chesney have done us valuable service, for otherwise our military expenditure might have to-day amounted to even a higher figure than 22 crores, with a corresponding large amount to be paid in the shape of " loss by exchange." But his proposals on

the reform of Indian Currency have, I fear, found few followers here or in England.

Matters remained quiet enough till the autumn of 1890, when the ill-fated Sherman Act came into operation empowering the United States' treasury to buy $4\frac{1}{2}$ million oz. of silver per month. The American legislature in its hurry to appreciate silver legislated in a way which has not only defeated its object but produced results the very opposite of those which it fondly anticipated. After a temporary boom it landed the States in difficulties, and the influence of the operations of the legislation of 1890 are having their baneful effect on Indian Currency. But for that legislation, there would, in all probability, have been no occasion for the agitation of the Indian Currency Association. The rapid fall of silver to 39d. alarmed that microscopic minority whose leader is the Hon'ble Mr. Mackay. Now none denies the evils to which he drew public attention some months ago, though it must be observed, in a spirit of wild exaggeration. Many of his statements were such as could not stand the test of a close examination. In fact they have been successfully combated since. He and his Association were seized with a panic. They sounded the tocsin of false alarm and took a blind jump into the great unknown. They did not retreat from their original position till their mistake was pointed out by the majority of the sober onlookers. I am only speaking to the naked fact when I say that the Mackay propaganda went up booming like a rocket only to come down like a stick. (*Laughter*). The Government had till then stood aloof. In Bombay, too, every one who fully understood the complexities of the problem held themselves aloof. Messrs Beaufort and

Symon, two influential English merchants, had the courage to oppose the agitation. Mr. Mackay, thinking his case was hopeless here, proceeded to England with a light heart to see if Manchester would come to his aid. But that city gave him no encouragement whatever, and judging from what has lately appeared in the English papers, I for one should not be surprised if his propaganda comes to be rejected there wholesale. (*Hear, hear*). Mr. Mackay went to England with the object of giving his evidence before Lord Herschell's Committee and convincing that body. But he returned to India a wiser and more sober man. He found his own level before the experts of the Committee. He was interviewed by the English press in Bombay in which, as you may have read from the papers, he was constrained to counsel his colleagues that they should, for the present, bear the evils as best they may for some time longer. (*Hear, hear.*)

All these facts, gentlemen, show how difficult it is even under present circumstances to find a safe remedy. No doubt each and every one of us are fully aware of the growing evils and temporary dislocation of trade under an unstable ratio. But we are also aware that these evils, however intolerable, have to be endured, and must be endured, till the hurricane of exchange has blown over. As you cannot stem the advancing tide, so it is not possible to stem the progress of this silver hurricane. (*Hear, hear.*)

Under the circumstances, we have formulated this Resolution asking the Government, in the first instance, not to be led away by the cry of a powerful and interested class and legislate in a hurry so as to create new evils of a greater magnitude. We also trust and hope

that it will not be seized with the panic which has seized the Currency Association and its followers; that it will not act precipitately so as to make a change in the Standard of Currency leading to new disasters. Tampering with the Currency is a dangerous thing. The most mature consideration is imperative before a change is resolved upon, especially in a country like India where you have 300 millions of people to deal with, and where the entire revenue is raised in silver, while one-fourth of it has to be remitted in gold, with a foreign trade partly in silver and partly in gold. What the evils of the change may be I will not try to enumerate at this late hour (for I have already been long and our President has been courteously forbearing in allowing me double the time prescribed and more.) I could say a great deal on the subject for the next six hours. But I think I could not give you a more succinct idea of the evils to be apprehended than by reading a paragraph on the subject from the *Statist* of 5th November last, which I now hold in my hands. It really tells you all in a nutshell, so to say.

"Assuming that a gold standard were adopted, the rupee would be degraded in India to the position of the shilling in England, that is to say, the value of the rupee would not be fixed by the value of the silver in it, as at present, but by the manipulation of the Government. Now, it is contrary to all the traditions and all the principles of British Government to give to any official, no matter who he may be, powers so enormous as would be necessary to manipulate the Currency of a vast empire with a view to giving to it a fictitious value. If the Prime Minister were corrupt he would be able to enrich himself by disturbing the money market If he were unwise he would throw all trade into confusion by is folly or his unskilfulness. That appears to us an unanswerable objection to all proposals for artificially maintaining the value of the rupee. But it is only one amongst a multitude of objections not less forcible. Suppose the rupee were degraded to the rank of one shilling—were made, that is to say, a mere token coin ;—prices in future would be determined, not by the intrinsic value of the rupee, but by the

value of gold, prices in India, that is to say, would cease to be silver prices, and would at once become gold prices. Let us assume that the advocates of the plan would shrink from attempting to raise the rupee to the value of 2s. that they would be moderate in their aims and would be content, let us say, to raise it to 1s.6d. The rise would amount to about 20 per cent., and there must in consequence be a fall in all prices of about 20 per cent. Between 1873 and 1880 there was a ruinous fall in prices in all gold-using countries of just about that percentage. Producers, manufacturers and merchants suffered disastrously. Credit was shaken, trade was depressed, and all because the purchasing power of gold rose. India was exempted from the sufferings of the gold-using countries because she had a silver standard and a silver currency. There was no fall in prices in India, no shock to credit, no failures on a vast scale. Trade continued to improve, the resources of the country were developed and its prosperity has since steadily increased. Now it is seriously proposed to deprive India by the act of her own Government of the immense advantages conferred upon her by her silver standard and her silver currency. We presume that the plan is based upon the mistaken notion that the value of gold is more stable than that of silver. We have seen that between 1873 and 1880 all gold prices fell ruinously. We have also seen that during the same period silver prices did not fall, in other words, while a smaller quantity of gold year after year exchanged for a larger quantity of all other commodities, silver included the same quantity of silver, or nearly the same exchanged for the same quantity of all other commodities, gold excluded. Does it not necessarily follow that it was the conditions which determine the value of gold which altered, not the conditions which determine the value of silver; or to put the matter into, perhaps, plainer language, does it not necessarily follow that the value of silver during the past twenty years has been far more stable than the value of gold? The plan, then, is based upon an absolute error, upon a misreading of the history of the past twenty years and having its root in error, its fruit cannot fail to be injury and disaster.

"We have seen above that the plan, if adopted and successfully carried out, would deprive India of an inestimable advantage her monetary system now confers upon her and would bring about a disastrous fall in prices. Let us try to realise what a fall in prices in a country like India to the extent, say, of 20 per cent. would actually mean. The land tax, which our readers will recollect, is really a rent, is fixed for a term of years in rupees. If the purchasing power of the rupee were raised 20 per cent. or anything like so much, the land tax would be raised in exactly the same proportion, for every rupee would then represent 20 per cent. more of the produce of the ryot's land. Similarly the rents of houses and lands all over India would be raised to the same extent. All the other taxes payable to the Government would

likewise be raised. So would all debts due at the time the change was made; in other words, every banker and capitalist, as well as every usurer, would find his property, so far as it had been lent out to others, increased 20 per cent., while every debtor throughout the length and breadth of India would also find his debts augmented by 20 per cent. Of course, likewise, officials' salaries would be enhanced in the same way. The result, therefore, would be that the Government, the official classes, bankers, landlords, and usurers would all receive 20 per cent. more of the property of the vast population of India. There would be a sweeping transfer of property from the producing working millions who create the wealth and make the prosperity of the Empire to the servants of those millions and to the parasites who prey upon them. We would ask any sane man, whose brain has not been addled by currency disquisitions beyond his capacity, whether this is a project that ought to be listened to for a single moment? Whether it is to be thought of that the whole strength of the British Empire should be used to impoverish the hard-working millions, and to enrich usurers and Government officials? And if it is not, we would urge upon public opinion to reject so monstrous a proposal with contumely. The ordinary man must not think that it is a question for experts alone, which may be left to a hole-and-corner committee. It is one that affects the whole future of the British Empire. Whatever may happen we must defend India to our last shilling and our last man. We are at this moment spending large sums in preparing against a Russian attack. Will it strengthen us if an attack should come to have widespread distress and discontent created by the acts of our own Government?"

These are the dire evils apprehended, but I may say that the effects of the closing of the mint would be infinitely worse than those above described. (*Hear, hear.*)

I need not inform you, gentlemen, that the *Statist* is a first-class economic journal, and bears a first-class reputation with its twin, the *Economist*. The Anglo-Indian agitators say they are monometallists and write all in the interests of the great "gold bugs" of Lombard Street. That may be so. But what we have to see is whether their arguments have been successfully combated. Gentlemen, without being accused of egotism, I may say that I have been a close student of this Currency question for the last 12 years. I have not yet met with a single serious criticism in current Anglo-Indian or

English literature on the subject in which the views of the two able journalists, so far as India is concerned, have been controverted. Meanwhile here is one of them, writing at the distance of 6,000 miles, in defence of the Indian ryots and the Indian tax-payers generally. A stronger defence in the interests of the people of this country I have not yet come across. I have seldom perused writings on such a subject so remarkably critical and wholesome in character, and I recommend each and all of you, brother delegates, to read, mark and inwardly digest all that has appeared about Indian Currency and Indian finance in the pages of the *Statist* and *Economist* for this year. I am sure it will repay perusal and will enable you to acquire a fair idea of the *pros* and *cons* of the whole controversy. You will also learn there how dangerous it is for our Government to legislate in panic or adopt other measures in a hurry and to repent of them afterwards. It is for this reason we earnestly appeal to Government to move cautiously in the matter, so as not to jeopardise the interests of millions of its subjects entrusted to its care. There should be, in the words of the late Mr. Bagehot, a "reasonable apprehensiveness" of the effects of the remedies now in the air and with which it is supposed to be closely identified. It has on its shoulders a solemn responsibility, which, it is to be trusted, it will conscientiously endeavour to discharge in the best interests of the governed. (*Applause.*) With these observations I now commend the resolution to your approval. (*Loud and prolonged applause*).

ENGLAND'S FINANCIAL RELATIONS WITH INDIA.

The following paper was written out in response to the request made in August 1903 by the Editor of "The Financial News" for insertion in its Jubilee number.

"Our Indian Government in its best state will be a grievance * * It is an arduous thing to plead against the abuse of a power which originates from our own country, and which affects those we are used to consider as strangers."—BURKE.

"It was a superficial view of the relations of England with India to say that there is no direct immediate connexion between the finances of India and those of England. Depend upon it if the credit of India should become disordered, if some great exertion should become necessary, then the credit of England must be brought forward to its support, and the collateral and the indirect effect of disorders in Indian finances would be felt extensively in this country."—SIR ROBERT PEEL.

"You should not remain longer under the delusion that you have nothing to do with Indian finance. Sir Robert Peel, in 1842, with great sagacity, repudiated the idea that the British tax-payer and the British citizen had no interest in the state of the Indian account."—W. E. GLADSTONE.

"It is idle any longer to distinguish between English and Indian finance * * It will be idle * * if the Exchequer in India is empty to pretend that the revenue of India alone is liable."

—B. DISRAELI.

"The great body of the people in India have, as we all know, no control in any way over the Government. Neither is there any independent English opinion that has any control over the Government, the only opinions being those of the Government itself or those of the Military and Civil Services, chiefly the latter. They are not the payers of the taxes; and, therefore, the Govern-

ment in India is in the most unfortunate position possible for the fulfilment of the great duties that must devolve upon every wise and just Government."—JOHN BRIGHT.

"When the Government of India was transferred from the Company to the Crown many safeguards for economy were swept away, and the substitutes which took their place have proved to be comparatively ineffective.—PROF. FAWCETT.

"Indian finance has again and again been sacrificed to the exigencies of English estimates."—SAMUEL LAING.

If there be one subject more than another on which the well-informed and fair-minded section of the great British nation may justly be said to be in full accord at present with the views of the Indian people it is undoubtedly the subject of England's financial relations with India. The problem which still awaits solution is not new. Attention has been drawn to it by British statesmen of the front rank from time to time during the last fifty years and upwards. From the quotations cited at the head of this paper, it will be learned how far Peel and Gladstone and Bright and Fawcett were alive to the responsibilities of Great Britain in its financial relations with India. It is, however, a matter of profound regret that despite warnings from responsible statesmen, publicists, and other persons in deep sympathy with India, and desirous of seeing financial justice rendered to its voiceless people, no satisfactory solution of this difficult question has been yet arrived at. Whatever may have been the iniquities perpetrated by the East India Company, they are condoned and forgotten. With the assumption of the sovereignty of India by the Crown, it was expected that the old, fallacious and unsound methods of finance would be swept away, that the change would ordain a new policy which shall be every way just to India and redound to the honour of England. But during the very first ten years

after 1858, two important events occurred which clearly showed how Indian finance was sacrificed to the exigencies of British estimates. There was the threatened invasion of the French Colonels in 1859 which alarmed England. The reserve of 22,000 men at the depot in Woolwich was exultingly pointed out by the publicists of the day. These congratulated the nation on having at its disposal such a body of trained troops but forgetting to point out the ugly fact that their cost was thrown on the revenues of India. Again, in 1868, the entire cost of the Abyssinian War was sought to be foisted on the Indian treasury, in face of the fact that the expedition of Lord Napier against King Theodore arose out of a difference between the British and that Sovereign, and that India had no interest whatsoever in that enterprise.

Between 1837 and 1856 poor India had to undergo the heavy sacrifice of a hundred millions sterling on account of the First Afghan War, the three Chinese Wars, the Burmese and the Persian Wars for which India in no way was partially or wholly responsible. The fact was that England made the war and India paid for it. That was the grievous financial injustice perpetrated during the days of John Company. But the transfer of the Crown in 1858 seemed to have wrought no change as was fondly anticipated. We have just pointed out the two instances of financial injustice to which India was subjected during the first ten years after that important event. Those two instances conclusively demonstrated the fact that though there was a change of masters there was no change in the financial policy of India's rulers No wonder that the late Mr. Samuel Laing, who succeeded Mr. Wilson as Finance Minister of India in 1862, declared

that India was the "milch cow of England." The milch cow is being continually put into requisition whenever the exigencies of British estimates demand. There is no limit to what have been properly called "misappropriations" of Indian revenue. There is the cost (say half a million pound) of the palatial India Office buildings. There is the cost of the establishment of the Secretary of State for India in Council, say £240,000. It is pointed out that the revenues of the Colonies are never appropriated for the accommodation of the Colonial Office and the maintenance of its establishment. India alone is subjected to that peculiar treatment. The other misappropriations lie in the maintenance of Aden and in the cost of the embassies in different parts of Asia. There was the famous ball to the Sultan. But all these and other minor charges thrown on the revenues of India are nothing in comparison with the continuous inroads of the War Office. The encroachments of that authority have been not numerous but devoid of any justice whatever. Nine-tenths of the unjust charges have been the theme of deliberation by several departmental Committees who, it is needless to say, have almost always been baffled in getting anything like a satisfactory settlement. The Army Amalgamation Scheme of 1859 is at the root of this crying injustice against which India has been inveighing these many years.

India, a poor country, was made a joint partner with England, a most wealthy country, in matters military in the teeth of the opinion of many an Indian Military expert. The fact was conclusively proved before the Select Parliamentary Committee on Indian finance which sat between 1871 and 1874. There was not a more judicially-minded and capable member of the Committee

than the late Professor Fawcett whose strenuous advocacy of India her people still cherish with feelings of gratitude, as much as that of John Bright. Mr. Fawcett declared that "it will be necessary fundamentally to change the present military system and to undo a great part of the work which was done, when under the auspices of Lord Palmerstone's Government and in spite of the remonstrance of every Indian statesman of experience the Army Amalgamation Scheme was carried out and India was compulsorily made a partner in all the costly military arrangements of England." Unfortunately, the results of the measure have been most disastrous to Indian finance. The wealthy partner has by her sheer might dragged the poor, whenever occasion required, to save her own estimates, into an acquiescence of her own costly projects, irrespective of their suitability or unsuitability, and irrespective of the financial ability of the weaker of the two, and that even without ever so much as consulting her responsible agents. From 1878 to date the Indian Government has in its many public despatches protested against this one-sided and prejudicial treatment. The full bearings of the mischief were pointed out by Sir Edwin Collen, on behalf of that authority before the Royal Commission on Indian Expenditure in 1896-7. In one of the despatches that Government feelingly observed as follows :—

"Millions of money have been spent on increasing the army in India, on armaments and fortifications, to provide for the security of India, not against domestic enemies or to prevent the incursions of warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all these great and costly measures reaches far beyond Indian limits and the policy which dictates them is an Imperial policy. We claim, therefore, that in the maintenance of the British forces in this country just and even liberal views should be taken of the charges which should legitimately be made against Indian revenue.

The people of India, who have no voice in the matter, should not be able to complain that an excessive military tribute is demanded from the revenues of this country, while, on her side, England with whom rests the final decision, should be able to show that this settlement has been effected in a spirit of justice and consideration to India.''

This growth of military expenditure to which India has to submit without *if* or *but* may be best seen from the following figures :—

1864.	Army Charges	14'50	Crore Rupees.
1884.	,,	17'40	,,
1902.	,,	25'75	,,

This is an appalling increase of nearly 80 per cent. Rich England may think nothing of it; but to impoverished India it is indeed most oppressive. The Welby Commission, by an official majority, recommended an appropriation of £234,000 per annum from the British Treasury in relief of so heavy an army cost. But while on the one hand the majority allowed the miserable dole, though disagreed to by Mr. Buchanan and the minority, consisting of Sir William Wedderburn, Mr. Dadabhoy Naoroji and the late Mr. Caine, who were for England sharing a moiety of the whole army charges, there was on the other hand the fresh burden £786,000 on Indian revenues in connection with the increased pay of the British soldiers. The Government of India made out a strong case against its imposition but, as is well-known, the Secretary of State gave away all the strong points of the case before the arbitrator, the Lord Chief Justice of England. There could not have been a more grievous miscarriage of justice and a graver dereliction of duty than this on the part of Lord George Hamilton. India to a man bitterly cried out against it. But let a curtain be dropped over this latest sample of

injustice by the very authority charged with protecting Indian interests. To crown all there was the other day that shameful attempt to saddle on the same unhappy country the cost of that precious South African Army Corps which the evil genius of Mr. Broderick suggested and to which the thoughtless and unsympathetic Lord George Hamilton gave his ready assent!

It will be perceived from the above facts how there has been going on a continuous struggle between the Government of India and the British War Office since 1882, when Lord Ripon successfully contended and recovered a fair part of the cost of the Indian troops sent to Egypt, and how the Welby Commission has partially tried to repair the financial injustice entailed on India. But it is superfluous to state that India is not at all satisfied with the adjudication of the latter body. Indians, however, have rest contented with the accomplished fact in the hope that what has been conceded is an earnest only of that full and fair justice for which they have been agitating these many years. Meanwhile they are not disposed to relax their efforts in that direction. They are bent on continuing their agitation, seeing that at no time within the past twenty years was the prospect of obtaining full justice more hopeful than at present. Two recent events have greatly encouraged them. Firstly, the way in which the nation condemned that mean attempt to debit the Indian revenue with the charges (£7,000) of entertaining the Indian Princes and guests invited to attend the Coronation Ceremony of His Majesty the King. Secondly, the well directed criticism on the question of the South African Army Corps as expressed in the House

of Commons, and at the public meeting promoted by Sir William Wedderburn, at which Sir Charles Dilke presided and at which Lord Welby, the late Chairman of the Royal Commission on Indian Expenditure, took an active part. The effect of these criticisms cannot be overrated. The British mind has now fairly awakened to a sense of its responsibility. There is also the hope that though Parliament, owing to its many pressing domestic affairs, including the Irish Question, has for years relegated its sacred trust to Providence, the time is fast approaching when it will have once more to resume its Trusteeship and exercise its power and authority over Indian finances so as to prevent those raids on the Indian Exchequer against which India is loudly and bitterly complaining. Parliament must take the necessary steps to remove permanently all causes which are now operating as a great financial injustice to India. It is considered a serious reproach to Parliament that a revenue of well nigh 115 crores or 76 million pounds of the greatest Dependency of England should be voted away, in a couple of hours, almost on the very last day of its session, before empty benches, without check or control or any responsibility whatever! It is a grave dereliction of its duty as Trustee to allow the vessel of Indian finance to drift as it has been allowed to, rudderless and compassless, these many years past. Indians earnestly hope that as soon as the present pressing domestic questions are settled Parliament will actively take on hand the Indian financial problem, both in its fiscal and economic aspects, and exercise its healthy and salutary control. They hope that no more "misappropriations" will be allowed and that absolute justice, on a sure and permanent basis, will be secured to India in

her financial relations with England. That basis is hardly to be found in the recommendations of the Welby Commission as whittled down by the Secretary of State. But it can be discovered in the recommendations of the report made by the minority of that commission which takes a far-sighted and broad-minded view of what should be the just financial relations. The fundamental principle to be carefully observed is that British rule should be one of justice and righteousness for the benefit of both countries and not for the benefit of Great Britain alone for achieving this essential object. It is highly desirable that some reasonable consideration should be the given to the capacity of each to sustain the financial burdens, England being very rich and India very poor. The cost of the European agency, on behalf of India, wherever employed, should be divided half and half between India and the Imperial Exchequer. Thus, as the minority wisely observes, "the British tax-payer would equally with the Indian tax-payer, become interested in checking the excessive employment of costly imported agency, and a useful spirit of inquiry would be aroused in this country with reference to the efficiency and economy of Indian administration." Next, India ought not to be called upon to bear the heavy financial strain of maintaining 75,000 British troops. All through the late war in South Africa, it was demonstrated to the hilt that India could well afford to safeguard herself with 15,000 less troops. Under the circumstance a reduction of 20,000 troops in times of peace might-be easily arranged. India does not object to their being quartered in the country. But these should be deemed as a reserve force for Great Britain to be sent abroad at any moment where Imperial interests demand. And,

of course, equity dictates that the revenues of India should be relieved of their entire charges. In fact as the minority recommends "they should be treated as part of the reserve force of the Eastern portion of the British Empire generally, and borne in future upon the British army estimates in that capacity." India's financial relations with England will be deemed to rest on a sound footing only when the two broad recommendations set forth above are carried out in their integrity. And it is on these two points that the attention of Parliament and the British people should be continuously concentrated.

SOME REFLECTIONS ON EDUCATION IN INDIA.

The following is a lecture delivered by Mr. D. E. Wacha before the Graduates' Association, Bombay, on 10th November, 1906.

MR. CHAIRMAN AND GENTLEMEN,

WORK OF BOMBAY GRADUATES' ASSOCIATION.

Layman as I am, it is with the utmost diffidence that I venture to stand before you this afternoon and give expression to a few stray reflections which have from time to time occurred to me during the last few years while ruminating on the system of Education which has been in vogue ni the country for upwards of fifty years past. It may be taken for granted that similar reflections have occurred to the minds of many others every way better qualified and more competent than myself. I have not the least doubt that there is in the country a large body of practical experts, Indians of course, who have bestowed much thought on our system of State-managed Education. These are the right and proper persons to lay their finger on its weak spots, point out the defects, show the way for their removal, and suggest such reforms as may be deemed most suited to our present

environments. I earnestly hope, therefore, that in its laudable desire to promote the cause of Education on sound and progressive lines, the Bombay Graduates' Association will strive during its next active session to secure for its public lectures experts of the character just referred to. Among the many distinguished alumni, of whom our University boasts, I can safely say, that there are not a few whom the persuasive eloquence of the Association's trinity of Secretaries, so active and so earnest, could easily prevail upon to emerge from their scholastic seclusion, give the public the benefit of their practical experience and suggest the needed reforms. Surely, the University which gave us in the past two such brilliant men—alas! too prematurely gone to their last resting place—as the late Mr. Telang and Mr. Ranade, and which is still proud of two equally brilliant scholars as Sir Pherozeshah M. Mehta and the Hon'ble Mr. Gokhale, has in her rank many whose interest in the intellectual progress of the country could be actively aroused for the purpose. I have only to point out in this place the laudable example of Sir Pherozeshah himself who, I am happy to say, is the presiding and directing genius of the Graduates' Association. I do not know if there are in this room even a dozen persons who are aware of the fact of that gentleman having made his first debut in public life by reading a scholarly, and withal practical, paper on Education in London, at the early age of twenty-two. It is indeed a paper as remarkable for its ability as for the writer's precocity of intellect. It displays, even when read at this day, some thirty-nine years after its first delivery, a breadth of view, a liberality of sentiments, and a practical sagacity which tell us at once how the

youthful mind of Mr. Mehta was working at that early age, and how well it had grasped the ideals of Education. Surely with such a bright example before them, our latter-day University Graduates in the academic line, ought not to be shy and backward in publicly giving out the thoughts they have thought out in their scholastic retirement on the merits and demerits of the existing system of education in India.

RATIONALISM OF THE AGE AND NEWER IDEALS OF EDUCATION.

I think, gentlemen, we are all agreed with those modern sociologists, who declare that for the moral and material well being of a people the fundamental requisite is Education in the broadest sense of the word. To say that it is the most important problem of our social welfare is only to repeat a platitude. But we all recognise the fact that this Twentieth Century of ours has held before us ideals of Education which are not a little different from those which the civilised world entertained half a century ago. During that eventful period there was slowly but steadily to be witnessed a disintegration of the old ideas and the old system of imparting education, from the elementary to higher. There has been going on a silent process of rationalism in every branch of human knowledge and activity. Arts, industries, manufactures, religion, literature, science, indeed everything which advances the moral and material welfare of our common humanity,—all these have been influenced by free thought as distinguished from the previous condition of unquestioning obedience to authority. Free-thinking has weakened respect for authority. For every theory and every dogma which was blindly

accepted before it demands reasoned truth. It is only conclusions founded on such truth that are now acceptable. Thus rationalism pervades all branches of human affairs, and the more it firmly keeps each such branch under its inexorable grip, the more the older ideas and ideals seem to crumble and decay. On their debris are founded entirely newer ideals which, it is needless to say, are now slowly revolutionising all human society and its manifold activities. Thus it is that this new intellectualism of the age is influencing mankind and compelling attention to newer ideals which our latest thinkers have formulated and are formulating. The men of deep thought are now kindling a new spark and imparting to human knowledge a new light and a new truth, the beneficent consequences of which will be fully discerned by and bye in every walk of life. That this new thought is already moulding the intellectual destiny of our modern world by means of education cannot be gainsaid. The modern educational reformer, in other words, the new school-master, is abroad. He is fast crystallising in the West those new ideals which he thinks should be practically carried out in national education. As yet we only perceive the first faint glimmerings of them. It is the dim dawn of the new bright educational day which is in store for posterity. For one thing it is now generally recognised that there cannot be one hard and fast, one adamantine, pattern in education for people in different strata of civilisation. There cannot be a universal system applicable to all. Each nation and community must work out its own national salvation in education according to its own environments. The general drift of all investigations on the subject seems

to point to the conclusion that every country must adopt the system which is best suited to its present needs, and which is most capable of development in such a way as to meet its future national needs, but, of course, in broad harmony with the new intellectual tendencies alluded to.

Education must conform to the Natural Process of Evolution.

The fundamental object is to make education a process of self-instruction, from the cradle upwards. It is only by a rigid but healthful and pleasing, not sickly and painful process of evolution, that education could be made vivifying for humanity in the future. In brief, it may be observed that the world of educational reform is slowly coming into agreement with the original crude doctrine which Pestalozzi first taught a century ago and which Herbert Spencer and other thinkers have greatly emphasised and expanded, namely, that "alike in its order and in its methods, education must conform to the natural process of evolution—that there is a certain sequence in which the faculties spontaneously develop, and a certain kind of knowledge which each requires during the development; and that it is for us to ascertain this sequence and supply this knowledge." The natural method is the golden method. Nothing artificial should be forced on the mind in its state of initial development and growth. Do we not see this natural method supplanting the old artificial one which was in such strong evidence during the first fifty years of the nineteenth century? Survey for a moment the whole horizon of human activity during that period, ask yourselves what were the principal features presented

to your gaze. It will be readily confessed that those were uniformity and unquestioning authority—uniformity and obedience in religion, in government, in education, in science, in politics. Those were artificial features. But survey again the last fifty years of the nineteenth century and what do you find? What looms most largely on the horizon? This only, that the old features are slowly fading away. They are receding in the back-ground. Do we not at present prominently notice the results of the new evolution of thought in religion, in government, in education, in science, in politics? Where is that unquestioning obedience to papal dogmas and papal infallibility? Look at France, the most advanced Catholic country in the world. Is it possible to conceive that fifty, nay twenty-five years ago, the French people would have calmly and wisely assented to the legislation on the disestablishment of Church and State which, in spite of the papal hierarchy, is now taking its even course at the present hour? Why? Because of the slow disintegration of the spirit which before held dominant sway in the heart of every Frenchman. He has dicovered that unquestioning respect to every papal dogma is inconsistent with right thinking, right judging and right acting, aye if not even conducive to higher national welfare. That in fact it is preposterous for any human being, however devout and however exalted, to claim infallibility which never can be predicted of our fallible humanity. Thus it is that democratic but reasoned Catholicism in France is superseding conservative Catholicism as is still understood, and clung to by the ecclesiastics who owe loyal allegiance to the court of the Vatican. What, again, is the meaning of those

agitating sects in Protestantism in the Church of England which have made such a strong headway in Great Britain during the last fifty years, sects of whom the Non-Conformist is the most influential as it is also the most respected and potential? Why have agnosticism and rationalism superseded the old doxies? Why in spite of the most formidable agitation, strenuously carried on by the author of "Fiscalitis," Free Trade still firmly holds its own? Why are there now so widely prevalent new ideas as to economics and make [illegible]ual duties and responsibilities of capital and labour, as to strikes and wages, as to trade unionism, as to profit-sharing and generally as to protection of labour by legislation? Why all these new ideals are so fast coming to the surface, and vastly influencing the social and economic conditions of humanity in the utilitarian West? Why is it that in the domain of politics democratic sentiments are also overriding the old aristocratic views on the art of Government? Why are the privileged classes losing their hold on the masses? Why do the masses so often talk of mending or ending the House of Lords? Why is it that Liberalism is fast spreading its roots and branches far and wide, and why is it that self-government is flourishing in such a remote country as Japan, and why is there a Parliament in its incipient stage at Tehran? Why is it that the East is now fast regaining its lost liberty? The answer to all these questions is because the last half of the nineteenth century has brought forth new elements and new forces which are more in consonance with the natural instincts of progressive humanity than before. It is because as the poet rightly sings with the insight of the seer that men's minds are widening by each process of the sun.

PESTALOZZI'S METHOD OF INSTRUCTION.

The same widening process has been going on in reference to Education. The slow revolution to be now discerned in the more advanced States of the West, say, in the United States, in Germany, in Great Britian, in Switzerland and elsewhere, in the manner and method as well as the matter of imparting public instruction, from the lowest to the highest strata, has its origin in naught else notice,..s' new ideal. Here, too, it may be enquired why is it that greater attention is paid and more importance attached than before to physical training? Why is mental training, exclusive of the physical, which fifty years ago was so general, is now deprecated? Why is a rational co-ordination of the two activities greatly insisted upon? Why cramming, once so highly fashionable and keenly pursued for purposes of gaining so many marks in an examination, is now denounced and proscribed? Why indeed are grammar and immemorial Euclid now dethroned from their high estate? At any rate why is it that these subjects are considered no longer essential till the scholar, by a knowledge of the concrete, is able to appreciate the abstract reasoning of their studies as he grows up in age? Why are geography and history altogether taught on a different principle—the most rational—from that which was in vogue for so many centuries? Last, though not the least, why are new Universities, founded on principles other than those of old, and why have females been admitted freely to all Universities? It is not difficult to give a reply to each of these questions. It is because the old stereotyped methods and practices, chiefly inherited from the ecclesiastics of the middle ages, which inculcated unquestioning

obedience and authority at the expense of rational thinking, have been swept away. It is within the last half a century that the Progressivists on Education have demonstrated the fallacious, artificial and injurious character of the methods employed in educating the young. Education, as the poet has said, forms the common mind: just as the twig is bent the tree is inclined. The twig was no doubt bent but in a different fashion from what it should be in order to allow the tree to grow in a healthy and natural way. The more, therefore, the system of imparting Education is based in conformity to the promptings of nature, the greater is its potentiality for healthy development and progress in the future. This broad truth has now come to be slowly recognised, and thus it is that the old unscientific and unnatural method, once so universal, is being supplanted by the scientific and the natural, which Pestalozzi originally founded after many a hard struggle. What his system was may be here summarised (*vide* appendix A.) He discovered the principle which regulates the law of man's development and which is the fundamental principle of education. In the degree that this truth is appreciated there will depend the greater intellectual salvation and happiness of the rising generation and of generations yet unborn.

EXISTING INDIAN EDUCATIONAL SYSTEM OBSOLETE.

From the foregoing observations it will be plain to you what are the tendencies of the modern system of education in the West, and in which direction they are most likely to gravitate. So far as the tendencies have made themselves practically manifest, it must be acknowledged that they have achieved excellent results. Hence it might be reasonably inquired

whether the existing system of imparting education in India, which, it goes without saying, is founded more or less on the old English system, now deemed obsolete and antiquated, and, therefore, hardly adapted to the new ideals to which reference has been made, should not be slowly reformed on the lines indicated. I at once admit that the reform proposed is a radical one. That it is not easy to alter a system which has done good work for fifty years and which, it must be frankly acknowledged, has shown satisfactory results. But just as we are now agitating for a reform in the Administration itself, with the view of superseding what is obsolete, prejudicial and mischievous, by what is modern, practical and beneficial to the welfare of the people, so, I think, we ought to agitate for a reform in our educational system which shall harmonise with the better ideals of the age. The time is ripe and the sooner we begin to formulate the broad lines of that reform the better.

EVILS OF CENTRALIZED EDUCATION.

It will be said that it was only three years ago that the Government of India modified the system by means of legislation. To that plea I would venture to give my own reply without in any way entering on the bitter controversy which raged round that legislation or raking up its dying embers. I content myself with observing that the modifications introduced by the new legislation are more or less of a superficial character and that they can in no way bring about those reforms which are indicated here. Unless there is a radical change in the system from the bottom to the top, of course, slowly and by degrees it would be vain to expect that that legis-

lation will achieve the object in view. Moreover, I am one of those who think that State-managed education. however admirable, is not without its serious drawbacks. Like State-managed currency, such an education is productive in the long run of evil only rather than good. All artificial devices have been known to end in one mischievous result, namely, arrest of natural growth and what arrest such growth must be held to be noxious. Nowhere, so far as my knowledge extends, has a centralised system of education been a complete success. Indeed, wherever it has been introduced it has had to be abandoned or considerably modified after years of practical experience. Nowhere were the prejudicial effects to the moral and intellectual welfare of a people by means of centralised education more palpably discernible than in France. And we all know how far it has done injury to the manhood of that great country. It was Turgot who observed that if one taught children nothing but what was true and if one talked to them of nothing but what they could comprehend there would hardly be any minds with unsound judgment. But let me come to quite a recent French authority. Let me detain you for a few minutes by quoting some most excellent and pertinent observations on French education made by Monsieur Abbe Martin in 1882 in the pages of the *Nineteenth Century*.

"State education should not be carried to such a pitch as to extinguish individual enterprise; it should supplement not supplant private effort. In France, since the period of the Revolution, the general tendency of the State has been to usurp the functions of the individual, and it has shown itself monopolising, intolerant and narrow-minded as regards the education of youth. It claims to be absolute and unique master. Nothing can be done without authority and approbation of the State. Its image and superscription must be stamped on the schools, the masters and the pupils, on the prospectuses, the classical works and the scientific

or historical theories and on the diplomas and degrees—upon all alike. No one can teach except by the permission of the State, and nothing can be taught but what the State sanctions. In short, there is but one teacher in France, the Minister of Public Instruction; for all other teachers are merely instruments attuned to the official keynote and led by the official baton."

This description *mutatus mutandis* might be justly applied to the so-called reformed system of education as introduced by the legislation of 1903. It is for you and others enlightened like yourselves all over the country to say whether by such a machine-made system India can ever hope to advance in the right way in matters educational.

EVILS OF STATE-ENGINEERED EDUCATION.

To have one legislation for all the different provinces in different states of educational progress is to say the least most unstatesmanlike. It is indeed most inconsistent for the State in one breath to treat different provinces in economic and other legislation according to their respective idiosyncrasies, and in another breath to treat the same provinces alike for a certain purpose of its own. But, gentlemen, I must crave your indulgence if I detain you further for a few minutes by quoting Mon. Martin again to make you fully alive to the mischief of State education which is centralised as it has been lately intensely centralised in this official-ridden country. That educationist infers from the manner in which education was administered by the State in France at the time he wrote, that there were three principal evils of centralised State education. Firstly, a dead level of uniformity; secondly, a decline of intellectual power; and, thirdly, weakening of the moral

fibre in the natural character. Uniformity is the rock on which all centralised systems suffer shipwreck.

"The children in the rural districts and those in the great towns those who belong to the working classes and those whose fathers are in trade or of independent means must be all taught alike."

Gentlemen, you have all to ask yourselves, whether the evil to which M. Martin refers is not also to be plainly discerned in India. If I mistake not, it was referred by some of the witnesses who gave their evidence before the Education Commission of 1882, which was presided over by that late accomplished scholar, Sir William Hunter. Proceeds M. Martin :—

"The same rules are enforced on the inhabitants of Bayonne and of Dunkirk, of the fertile plains of Province and the rugged mountains of the Auvergne. A rich specimen of this Procrustian system has been given to the world of late in the compulsory Education Act. In one of the few clauses of the Bill it is specially provided that all are to be taught the grammar of the French language and the elements of French literature, together with history, geography, geometry, agriculture, morality and patriotism. Our readers can picture for themselves an Auvergnat peasant, or a shepherd of Givandan going up for an examination in the works of Racine, Corneille and Moliere! Such fantastic schemes betray an utter ignorance of human nature and of children's capacities, as well as the practical working of good elementary schools."

In this respect a great deal could be said, but as it is not my purpose in this paper to enter into any kind of details of the various branches of education, I refrain from expatiating thereon. Its sole object is to stimulate discussion with the view of evoking a good volume of expert opinion by and by, as to how far education in this country should be directed in the new channels which have been suggested here, and what may be the practical lines on which the reform should proceed, of course, step by step.

UNIFORMITY AND DECLINE OF INTELLECTUAL POWER.

But let me return to the other two points of Mon. Martin. As to the dead level of uniformity leading to the decline of intellectual power, he says :—

> "Under a centralised system, there is either perpetual change going on in the teaching staff, the course of studies and the rules, or else everything falls into a state of stagnation."

From our own experience, I think we can safely venture to say we are in accord with what the learned Frenchman has urged. Again :

> "As all individuality is looked upon with disfavour, even if it not be absolutely contraband, the genius of routine takes possession of the school, and everything is done coldly, mechanically and lifelessly because that spirit of self-devotion, of enthusiastic zeal which is the very soul of education has fled beyond recall. What else could we expect? When once the office of teacher is looked upon as a mere bread-winner, a trade like any other, it becomes impossible to fight against that feeling of depression which sooner or later takes possession of the mind, which saps the principles of life and which, taking refuge in the torpor of hopelessness, refuses to answer either whip or spur."

In my opinion the above is a true picture of the evil of centralisation in State education so far as it knocks out all originality from the individual and turns out teachers and scholars alike into mere machines according to one stereotyped pattern. It was Matthew Arnold who once observed in one of his annual reports that "in the school teaching the decline of the intellectual life caused by a mere mechanical method of instruction shows itself in increasing weaknesses in even those very matters which our changes were designed to revive and foster."

WEAKENING OF THE MORAL FIBRE.

Lastly, there is the weakening of the moral fibre, says M. Martin :

"The evil effects of centralisation on the character of our people is shown in the want of backbone which unfortunately distinguishes France among the nation."

Here, too, you will agree with me that the parallel stands good for India. Indeed the want of backbone is immensely accentuated, and accentuated most unpleasantly, it is to be feared, by reason of the chief directing and teaching agencies being of one race and civilisation while the students belong to another race and another civilisation. Who will not recall the instances of revolt in schools and colleges of which we now and again hear. What is their true origin? Does it not lie in the fact above indicated rather than in the one alleged by the deities of our Educational Olympus, namely, want of discipline— a canting shibboleth. But you will ask what M. Martin understands by backbone? He defines it as the "combination of moral and mental strength which is seen in men who respect the rights of others while they maintain their own self-respect." It is to be hoped our countrymen will firmly bear this definition in mind, for, I fear, the number of Indians in each community who have the combination of the two kinds of strength just referred to accompanied by a strong sense of self-respect, cannot be considerable. Great as are the ordinary evils of centralisation in any State or community, it is superfluous to observe that they are a hundredfold greater in this country. Their influence is unspeakable on the education of our youth, who will be the citizens of to-morrow on whom the future welfare of the country must greatly depend. But if M. Martin thus depicts in the most unfavourable colours the evils arising from the system of centralised education in France, he writes in terms of praise about the system in vogue in

England where private enterprise in education has been so predominant and which has shown most gratifying results. Wherever there is freedom of action to parents, to pupils, to teachers, as well as to local authorities, as has been the case in Great Britain, similar excellent results must obviously be looked for. In this respect too, I must ruefully observe that our new fangled educational legislation gives no hope of success. Education is now wholly officialised and that by men who have only a fleeting interest in the welfare of our national education. Private enterprise in education seems more or less to be doomed, unless the national spirit of freedom and self-respect emphatically asserts itself and overcomes the many obstacles in the way which the precious legislation has ingeniously, but not ingenuously, contrived. Freedom is fettered, if not wholly throttled—freedom in schools and colleges and freedom in universites.

HERBERT SPENCER ON POLITICAL DESPOTISM IN EDUCATION.

But Mon. Martin is not singular in his observations under this head. That great English social philosopher of the nineteenth century has made similar observations. In that well-known and thoughtful work on Education, Mr. Herbert Spencer has said that

> "Along with political despotism, stern in its commands, ruling by force of terror and implacable in its vengeance on the disloyal, there necessarily grew up an academical discipline similarly harsh—a discipline of multiplied injunctions and blows for every breach of them—discipline of unlimited autocracy upheld by rods and ferules, and the blackhole."

Thanks, that age of discipline in intellectual education is slowly passing away, though there are survivals of

it to be yet discerned here and there. In this country we have what is called benevolent despotism with its "unlimited autocracy," only it is somewhat chastened Discipline in reality is not upheld by rods and ferules, but all the same we have in the place of these instruments of enforcing discipline moral rods and ferules invented by the self-same autocracy, the baneful effects of which are worse than those of the physical ones. The teacher and the scholar, be he of high or low degree, all alike feel and chafe under them. That is one of the ugliest features on the system of imparting education in the country which needs to be removed. Unfortunately India has had never the benefit of real educational thinkers and reformers of a practical turn of mind. Bombay had the rare luck of having one such at the head of the Educational Department during the latter part of the sixties for a period of three years. The Presidency then felt the broadening influence of Sir Alexander Grant, whose memory we should always cherish. But it is doubtful that since the educational policy of the Government was laid down by Sir Charles Wood in 1854, whether India has had ever the benefit of the learning and the practical method of imparting instruction of a person of the attainments and liberalism of Sir Alexander Grant. Had there been one such Indian, education as a whole would have decidedly taken a different turn and the Indian mind would have risen to a loftier plane of intellectualism than is to be witnessed to-day, showing every way more satisfactory results. But it is of no use regretting the past. Our purpose more is with the immediate future.

Future of Indian Education.

This brings me to the point which I am desirous you all should well consider. At the best nothing would be lost by provoking discussion on it. I shall consider myself sufficiently rewarded if the discussion eventually leads to any practical results of a tangible character. On my part the more I study the latest literature on the subject the more the conviction grows on me that the future of Indian education cannot be where it stands to-day. It is impossible that we should be stationary in our educational activity when everywhere else there is a wide awakening and a keen desire to found the future structure of education on new lines which the most advanced reformers of the day have advocated, namely, to lead on education, from the lowest grade to the highest, step by step, and stage by stage in consonance with nature. How from infancy upwards the child should be so instructed as 'to develop its powers of observation in a natural, instead of artificial way, that is the supreme problem. What is condemned in the old method of imparting instruction is that from child to boy and boy to man, there is too much of artificiality and very little of individuality in conformity to its natural surroundings and environments. A systematic culture of the powers of observation is the first essential. Such powers are not acquired in a day, or a week, or a year. They have to be gently educed and stimulated, and the faculty has to be cultivated step by step in a natural sequence. Thus to determine upon or select a system of instruction on these lines is no easy task. The knowledge of the right methods of culture, physical, intellectual and moral, is of extreme importance. We can only proceed from the simple to the complex; from the indefinite to the

definite till at last we come to the finished structure when the brain itself reaches its maturity. It is entirely unnatural to force on the young mind a course of instruction for which the brain is immature or unprepared. Here, again, Mathew Arnold years ago had to complain of the state of primary education in England. Said he:

> "The mode of teaching in the primary schools has certainly fallen off in intelligence, spirit and inventiveness. In a country where every one is prone to rely too much on mechanical processes and too little on intelligence, a change in the regulations inevitably gives a mechanical turn to inspectors and must be trying to the intellectual life of a school."

What was condemned in England years ago finds currency here in a most aggravated form. But unfortunately that has been one of the noxious features of education. But now that the noxiousness or baneful effects of that system come to be slowly recognised, it was time that Indian education also should be so far modified as to make it conformable to the new system. The new school of reformers are of opinion that body and mind ought to be simultaneously developed, each in its natural order, step by step—what may be the best method of treating the body, and what of treating the mind. Body and mind must accord well so as to bring about at maturity perfect harmony, and as the objective of education is how to make the best citizen, and citizeness also, the reformer should also inquire what may be the best way to live as a citizen, and to use all the faculties nature has endowed us with for our own individual advantage and for the advantage of others.

Primary Education.

This primary education becomes of the first importance and derives the highest significance. And since of

late it has loomed large in the eyes of our countrymen as well as of the Government itself it would be a great gain were Indian educationists of large practical experience to devise a practical scheme which might modify the existing system of primary instruction in the country so as to make it well fit in it. For it is essential that during the period of transition from the old method to the new, there should as far as possible be the least disturbance. The task, it must be admitted, is difficult. At the same time it is not such as cannot be overcome by patience, perseverance and examination of models which are available. These would partially facilitate our task if we earnestly endeavour to undertake it in all seriousness. We require, as Arnold said, to simplify our teaching, to present to our children's minds what they can comprehend, to abstain from pressing upon them what they cannot. That is the right way.

YOUR "MOTHERS OF EDUCATION."

It is not possible that within the limits of this short paper I could refer at any length to the models of the four most advanced countries of the West which are called the "Mothers of Education," namely, the United Kingdom, France, Germany and the United States. But I would strongly commend to the notice of all who are interested in the advancement of education on right lines, the book by Mr. R. E. Hughes, of Oxford, the author of "Schools at Home and Abroad." This work is entitled, "The Making of Citizens" or "A Study in Comparative Education." It forms one of the volumes of the Contemporary Science series, published by that enterprising firm of booksellers, known as The Walter Scott Publishing Company, Limited. In my

humble opinion no two recent works would furnish better inspiration and information needed for our purpose than those by Mr. Hughes. With it a deep study of Herbert Spencer's work on rationalistic education would enable experts to prepare a skeleton of the scheme of education on the latest ideals which, when generally approved, might be tentatively adopted as a substitute for the one now in existence. Of course there are other publications and massive blue books by the scores which would furnish ample details. But the works just referred to are an excellent digest and would admirably serve the purpose of formulating the sort of scheme I have here ventured to suggest.

WHICH IS THE MOST SUITABLE SYSTEM ?

In his book Mr. Hughes has observed that the whole question of reasoned education demanded by the complicated exigencies of the present age, so strenuous every way, is not "which is the best system, but which is the most suitable system." This judicious and practical observation we shall have firmly to bear in mind. It is not always the ideal that is practical. The ideal is undoubtedly capable of realisation but under certain given conditions. Where such conditions are non-existent or only partially existent, the ideal must be limited by practical considerations. But the comparative method adopted by Mr. Hughes will, in my opinion, be exceedingly helpful. In instituting a comparison between different systems of national training, in order to select one which is most suitable and practical, we are apt to forget that the really vital elements cannot be directly compared. As he says: "We can place in juxtaposition tables and statistics showing the comparative

costs of school houses, payments of teachers and other officers, the relative amounts paid for educational purposes by each citizen, amount spent on each child's training in the school, the regularity with which the children attend, the relative efficiency of the school laws, the relative facilities for higher training and many other items; but the really vital question is not touched by such figures. The question is "which of all these various systems of national training makes the best citizens," and when the question is put thus one sees that its answer best depends entirely upon what the phrase "best citizens" may connote. The phrase in France does certainly not connote the same attributes as in England or America, so it is immediately evident how difficult, if not impossible, it is to answer such a question as "which is the better educational system—that of Germnay or of England." The long and short of it is that as long as national characteristics persist so long will national ideals vary. At the same time it may be repeated what I stated at the outset, that the entire trend of investigations in the different systems of education in vogue in the most advanced countries point to this conclusion that every country has in the main that system of training best adopted to its present needs, and most capable of developing in such a way as to meet future national needs. Another tendency, so far as the Western countries are concerned, is the development and growth of the idea of citizenship. That we are the citizens of State is an idea which is being gradually superseded by the broader one, namely, that we are all citizens of the great world. In this respect, it is also beginning to be clearly discerned that in matters of education there should be social equalities and

equal opportunity. Not that the inequalities, in divers degrees to be still perceived in aristocratic England and France, caste-ridden and military Germany and democratic United States, could be easily got rid of. But the whole tendency is towards equality—everybody, from the son of the peasant to that of the prince, should have equal opportunities of training the mind which is after all God's gift. Mr. Hughes rightly lays down the dictum that "it is the primal duty of the State to provide every child with equal opportunity for developing the powers he has been endowed with." Happily for India, that has been all along the most agreeable and satisfactory feature of its State education. There is no social distinction in education. The doors are wide for all and they may freely enter who wish to drink deep at the fountain of knowledge. And happily also education in India is wholly free from sectarianism which everywhere else somewhat mars the smooth course of instruction, as it is at this very hour in Great Britain. Church and State are struggling for the religious soul of the innocent child, with the faintest and dimmest notions of what is religion, let alone the many sectarian jargons.

Certain Aspects of Education in India.

But if State education in India is free from these undesirable elements, it is our duty to remove those defects in training, from the lowest to the highest strata, which are discernible to-day. They are not unknown. Every Indian of educational experience is aware of them. In my humble opinion not only such defects should be removed but, as I have urged all through in this paper, we must strive after realising the new ideals which are permeating all education in the West, consistent

with our existing or even improved environments. In endeavouring to solve the problem in a practical way I would inquire whether education in India is calculated to train the Indian youth to the best citizenship—for after all that is the ultimate goal to be aimed at. Now here, I am afraid, there are drawbacks. They are external as well as internal. The external drawbacks have more or less reference to the political subjection of Indians. The subjection greatly hampers future progress. For one thing there never is forthcoming even now, after a century and a half of *Pax Britannica*, more than 1'10 crores of rupees for all kinds of education—primary, secondary, higher and technical. No educational progress of a material character could be possible in the world where the State starves its educational institutions. I am not going to enter into any comparative financial statistcs on the subject. They have grown too hackneyed. All that I would say in this place is that the miserable dole which the Government of India, boasting of a revenue of 120 crores, spends even now on education is no credit whatever to its own high and refined civilisation or to its reputation for political justice and integrity. The Indian Government is now deriving a net revenue from its abominable drink traffic alone, which, I must ruefully observe, it has in its financial greed pushed in every nook and corner of the Empire, to the extent of 7½ crores. The serious charge hurled by enlightened Indians against the Government is that it is fast converting the poorest masses from a condition of sobriety to insobriety, if not drunkenness. What a happy change in their social and moral condition might be witnessed were the entire revenue levied from the noxious drink traffic wholly spent

on education! But apart from the financial aspect of the matter, I may mention how this political subjection of the Indian people hampers their march towards greater educational progress. There is that conflict of interests. Say what they will, there is no such thing as the administration of India purely in Indian interests. It is not like the Japanese Government where the interests of the people are identical with those of the State. In Japan the State conforms to the national sentiments and aspirations in all matters. In India the people may entertain their own sentiments and aspirations about many matters, education included. But the Government being alien never responds to them or responds only in a feeble way. It is this political subjection which in educational matters hampers progress as in others. Thus, we find in this political subjection the key to the starvation of education by the British Indian Government. If in spite of the petty, nay, contemptible expenditure of 1·10 crores incurred on all kinds of education, there is marked progress, it is to be attributed to the natural intelligence of the people and their hereditary instincts for intellectual development. These are the external factors which arrest the growth of education in India.

INTERNAL FACTORS.

On the other hand there are some internal factors too which have to be considered. There is the deep rooted conservatism of ages which is best exemplified in the system of caste. Now, I would at once admit that from the Indian point of view there is a deal of good in that system. But with the good there has grown side by side no little evil. It has greatly obstructed both moral and

material progress. For one thing it is caste which is partly to be held responsible for the backward condition of industrialism. When the carpenter and the shoemaker continue to be carpenter and shoemaker from sire to son, and from generation to generation, there can be no hope of free and robust industrialism in the land. Again it is at the door of the system of caste that we must lay the absence of female education in the country. It is indeed a most petrifying social phenomenon. How may there be good mothers whose sons may be the future hope and glory of the country when the mothers remain in a state of almost total intellectual darkness? No country can expect to prosper morally and materially where mothers are bereft of that education which is essential to their mental well-being as air, water and food to her physical. Thus it is that we find we have one serious drawback among the Indian community by way of home education, which is even of greater significance than school education. Home education in the Western sense seems to be almost wholly wanting. And so long as not only the majority of the male but the large majority of female parents are illiterate, it is not possible to witness that healthy progress we are so anxious to witness and which elsewhere has lifted nations in the scale of higher civilisation with loftier ideals of life and citizenship. Thus in respect of the internal factors which partially obstruct our onward progress in education on sound Western lines, it is essential that the older environments which have so long worked prejudicially and induced stagnation in the national life should gradually cease to exist and be superseded by those which step by step will contribute to achieve the great aim and object in view. The new ideals of the

march of intellect are there : but are we so free as to adopt them ? No doubt there is centralisation in Government. But is there not centralisation in our social life also ? We are partly suffering, I think, on account of our own internal imperfections. Is it impossible to make a beginning by way of decentralisation of old ideas and old idiosyncrasies which are admitted to be prejudicial to our greater intellectual welfare? Unless there is disintegration of those forces which clog our progress, we are bound to meet with obstacles at every turn in our educational progress also. In reality our future educational activity must run parallel to our social activity, specially in matters of domestic reform.

I have now placed before you some stray thoughts which have occurred to me in reference to education in the country. Much no doubt will depend on ourselves. If we are to strive for the higher ideals I have suggested, we must earnestly put our shoulders to the wheel. If the State has a responsibility to discharge in matter of the education of our people it should be remembered that we, too, have a responsibility, and a larger one, to fulfil. By all means let us pray, memorialise and appeal to Government to fulfil to the fullest its part of the responsibility. At the same time let us not be so many drones. In the field of education we should strive to put forth the strength of heroes in order that at last we may win the intellectual battle like heroes. Let us each in our own humble way make our lives sublime in this respect and leave footprints on the sands of time which generations yet unborn may tread. As Mr. Hughes has observed: "Man will not live by bread alone even in the future ; he will need more than ever that broad, deep humanistic culture

without which there can be no life. Rather than early specialisation the new age will need an ever-increasing and ever-widening stream of liberal training, stained and tinctured by no polluted feeder of utilitarian studies, but fed by the bright and pellucid sparkling and limpid streamlets that issue from the pure regions of some Parnassian height."

SPEECHES AT THE MILLOWNERS' ASSOCIATION.

(The following is a selection of the speeches delivered by Mr. Wacha, from time to time at the Millowners' Association, Bombay.)

INJUSTICE AND EVIL ECONOMIC EFFECTS OF A COUNTERVAILING EXCISE DUTY ON INDIAN YARN.*

After the exhaustive and emphatic observations made by the Chairman with regard to the impolicy, injustice and impracticability of the excise duty which it is proposed to levy on Indian yarns of fine counts, I do not think it necessary, gentlemen, to detain you with any further comments of my own. There is not the least doubt that there prevails all over the country almost absolute unanimity as to the iniquity of the contemplated measure. It is thoroughly understood that the countervailing excise is in no way demanded by the exigencies of the revenue; for, as Mr. Cotton has just observed to you, the revenue which it will yield will be so insignificant as to be hardly worth the cost of collection. Neither it is demanded on the alleged ground of protection. For here, again, our Chairman has conclusively demonstrated, on data which are unimpeachable, that the manufacture of counts above 30s. by Indian cotton factories barely enters into any serious competition

*June 1895.

with similar counts exported to this country by Lancashire. Thus, the hollow cry regarding the import duty being protective of our indigenous cotton manufactures will not bear five minutes' examination with the light of the latest statistics the Secretary of the Association has been at some trouble to obtain. Nobody was more astonished than myself to read, the other day, the speech of our esteemed and old friend, Sir Frank Forbes Adam, at Manchester. For no English merchant of long and varied local experience knows better than Sir Forbes Adam that the cry of protection is wholly unfounded. But, perhaps, he thought it prudent that if Manchester has to swallow the bitter pill, it must be a bit sugar. And the sugar offered in this case was the countervailing excise duty. But, gentlemen, if it eventually comes to be levied at all, it will not be either on the ground of revenue or protection. The prevailing feeling is that it would be imposed because the British Cabinet at home considers it expedient, for its own political exigency and interests, to entail this glaring injustice on our country. India's interests must be set at naught where Lancashire's interests are paramount. India is weak and unable to bring that strength to bear in opposition on the question which the powerful colonies of Canada and Australia could bring were their fiscal policy subjected to a similar treatment. Gentlemen, I have no hesitation in saying that it is the old, old tale of the weakest going to the wall. If, then, the import duty on foreign years of finer counts cannot be protective of our indigenous manufactures, and if, again, the countervailing excise cannot bring any appreciable revenue to the Indian Treasury, where, may we reasonably ask, is the justice of the imposition? On the contrary, the

measure, if enforced, would be one of manifest injustice. Apart from this fact, it should not be forgotten, that the collection of the excise will put into motion official machinery which will, of course, be an interference with the cotton trade. And it is a question, whether having regard to the insignificant revenue to be derived, and the heavy cost of collection and supervising establishment, the Government of India, following the principle laid down for it by the House of Commons itself years ago, would be justified in needlessly hampering our industry by the inevitable interference of its excise officers. Vexatious interference with trade, as you may be aware, has always been opposed in England. What led in 1880 to the excise duty on salt being repealed and substituted by that on beer? Simply because the maltsteers were obliged to carry on their trade according to certain rules prescribed by the revenue-collecting authorities. The same thing must happen here. Moreover, it is well-known that the more complicated a manufacture is the greater the difficulty and interference, as excise officers have to watch the elaborate rules which Government may frame. Again, there will be many practical difficulties in the way which, I am sure, would condemn the system as unworkable. Well, Gentlemen, if we are thus to be handicapped, and if the chain of our burden is to be made heavier by this countervailing excise duty, how shall we be able to stimulate consumption? And if we cannot do that, does it not stand to reason that our trade will shrink? And if it does shrink, will not that be a serious disadvantage to the Government of India? For, will not the remittances in sterling, which are now almost met from the balance of our trade with silver-using ountries, have to be met by increased exports of produce

such as wheat, seeds and other raw staples to gold-using countries—staples which are already impoverishing the agriculturists? Thus, the economic aspects of the question are of serious importance and all these must be fairly urged in the memorial which will be prepared by virtue of the resolution I have moved. But I hope, gentlemen, I have made it clear to you that both on economic grounds and on the ground of the industry itself, it is impolitic to have any countervailing excise duty. Neither is it just because no case has as yet been made out for its imposition. Nor is it practical because the difficulties in the way are not only numerous, but formidable, while the revenue to be derived, will hardly be commensurate with all the trouble and expenses involved, apart from interference with the trade itself. It is therefore impracticable, and we all trust that the Government for the several reasons urged will abandon the idea of an excise duty, simply in response to the utterly hollow cry of Manchester.

---

*Cheaper Salt; indigenous shipping for foreign trade; future competition of Japan and China in the yarn trade; shorter hours of mill operatives; higher wages and sanitary dwelling houses should be the three principal objects of Millowners.**

Mr. Bomanjee Petit rightly protested in vigorous terms against the burden of the Excise duty on cloth which is a drag on the industry. And Mr. David urged on you all the desirability of mitigating the present evil of the

*March 1899.

freighton tonnage to Japan and China inflicted by the carrying companies. The repeal of the excise duty suggested by Mr. Bomanjee would no doubt be welcomed by mill-owners. But personally, I would give precedence to the reduction of the enhanced salt duty, which is a burden on the poorest despite official optimism to the contrary. Every article which is a necessity of life, when cheapened for the mass, must be considered as a help forward towards their improved condition. Employing, as the cotton industry does, over a lakh of operatives, which means five lakhs of souls to maintain, I think cheap salt should be our first care. We need not be too selfish. Let salt be cheapened, first and the excise duty stand second. (*Hear, hear*). Then, as to the freight question, no doubt the monopolists are the masters of the situation and mill-owners are at their mercy. They will continue to make hay while we do not make a solid move in the matter to break down the monopoly. Are we to sit with folded hands? Four years ago, the patriotic Mr. Tata made strenuous efforts to have a competing line of vessels. Almost all welcomed the enterprise and agreed or rather promised to support it. But the performance, be it said to the discredit of those who agreed, fell miserably short of the promise. (*Hear, hear*). The time has come when we should apply our shoulders to the wheel and renew our efforts, preseveringly and strenuously. It will be a means of adding to the national wealth, for we will eventually be able to intercept all the profits of the carrying business which is now drained away by lakhs annually to foreign countries. (*Hear, hear*). I therefore earnestly beg to draw the attention of millowners to this important question. I need not say anything on

the other parts of the report, but I will venture to offer some criticism on the observations of our Chairman. His optimism regarding India's ability always to compete with China and Japan is one to which I have uniformly taken objection at our gatherings. I have every respect for Sir George's views, but I must confess that these special views are a mere "pious opinion" rather than an opinion to be categorically accepted. (*Laughter*). It may be that for a few years yet we may make a head while new markets are being opened. But we should look far ahead and not to the immediate future. Whatever the conditions of labour and other matters, it should be remembered that every national industry in its infancy is fettered by obstacles which time and experience soon remove. The same will be the case with Japan, and specially with China. The last is indeed difficult to be moved. Chinese inertia is great. But it is also the national characteristic that once the inertia is removed, it moves with the velocity of the avalanche. The tortoise may, as the proverb says, overtake the hare in the long run. China has a population of forty crores, for which homespun yarn must be needed. When we think of that we may as well think of the future of our industry if our yarn trade is to survive in the competitive race with the Far East. I think we can. But this brings me to the most important point to which I earnestly beg to draw the attention of millowners. Our future prosperity will principally lie in the reduced cost of production. How is that to be achieved? To my mind it could be achieved in two ways. Firstly, by increased cultivation of cotton and improving the quality of the cotton grown. Secondly, by improving the physical and sanitary condition of our operatives.

As to the first, Sir George Cotton forgot when he spoke of Japan getting cotton from India that that process actually enhances the cost of the raw staple. That country becomes a sharer in our purchases. And it is not for me to inform you that when there are two purchasers instead of one in the field, the article to be purchased is always to be procured dearer. Practically, the larger the acreage of cotton the better. Because the greater the supply the cheaper the staple. Next, we must look to the improvement of cotton. Everyone knows how deteriorated it is in quality. We are not getting the same cotton that we got five or ten years ago. Every description is undergoing deterioration. How, then, is this condition of cotton to be improved?. I am of opinion that millowners should form another branch of their body, and call it the Cotton Supply Association. Just as Lancashire began to make a substantial move forward in the early fifties in its spinnings, it started a Cotton Supply Association, we must do the same. We should advance the agriculturist, on one side rack rented by the State (and I make this statement deliberately) and on the other looted by the Sowcar, though a necessary evil, sufficient monies to buy good seeds which will grow better cotton, and which will also enable him to pay the Government dues and increase the area of cultivation. It will be a double blessing—a blessing to the cultivator and a blessing to millowners (*Hear, hear*). As to the other subject, namely, improvement in the condition of operatives, I may say at the outset that it may appear paradoxical the statement I am going to make. But, however paradoxical, you will see at once the truth it conveys. Long hours, low wages and taxes on the food of the people have crippled the development of

industry elsewhere. Shorter hours, higher wages, cheaper condition of living have brought about the growth of energy and vigour which have made England supreme in the world of cotton trade. Gentlemen, this brings me to what scientists call the physiology of industry. Make your operative strong by short hours, cheap food and sanitary-dwelling houses, and you have the ideal operative who would produce more and earn more than he who works longer hours, earns less and lives in insanitary localities. As an ounce of fact is worth more than all theories, I will quote a few statistics from the pamphlet issued under the auspices of the Manchester Statistical Society in 1893, by Mr. Merttens. I would suggest that each millowner should possess himself a copy of the excellent brochure and learn for himself what I am now saying. In 1859-60 the Lancashire operative used to work 61 hours earning 12s. 6d. per week, and producing 30 lbs. per spindle per annum. In 1881-82 he worked 56½ hours, earned 17 shillings per week and produced 31·5 lbs. per spindle per year; while five years ago, with the same number of hours, he earned 19 shillings and gave his employers 32·4 lbs. per spindle per annum. This is the benefit of the physiology of industry, and I seriously commend it to your attention. The stronger the Indian operative is physically and the shorter the number of hours he works, he will earn more because he will produce more. Capital and labour both will be advantaged.

*Excise duty; extended cultivation and improvement of cotton; labour scarcity; housing of operatives and the evils of Preferential Tariff.**

Other external matters have reference to the fiscal projects of the Imperial authorities and to the policy now and again adopted by the great shipping companies which convey our goods to different ports. Both, by reason of the power and influence they possess, are unmitigated monopolists. As a result, millowners have to submit, despite all fair and reasonable protests and remonstrances to the caprice of these monopolists. Their arbitrary action has to be endured which is indeed grievous. The imperial authorities in their relation to cotton manufacturers have for the last eight years adopted a policy which, in its effect, is not only unjust and oppressive but solely continued in class interests. In its incidence the Excise Duty is worse than Income Tax, for while the last tax profits the first tax capital when there are no profits to speak of but an actual loss. As to the shipping companies they are masters of the situation, and so long as unity and strength are absent to break down their monopoly, their oppressive policy of freight will have to be endured, though they have of late been somewhat more merciful. To me, personally, it seems humiliating that millowners should be so far wanting in public spirit and enterprise as to be unable, in their own best interests, to defeat the existing combination. For, Mr. Chairman, it should be remembered that the time is not far distant when keener rivalry in the yarn trade in the Far East will necessitate a searching review of the

* 24th June, 1903.

present entire economic position of our mills. It will be a short-sighted policy which will neglect to seize time by the forelock and prepare for the contingency.

Coming to the internal factors, the most important is the supply of raw staple. It is a matter of profound regret that while year after year passes by, not the slightest effort is made to improve the growing deterioration in the quality of medium and long stapled cotton. An organised effect on a small and unambitious scale as an initial measure is highly desirable. There are no insuperable difficulties in the way. But the cultivator needs all the support and encouragement which consumers and exporters can give in order to bring back that better quality of staple which was such an excellent feature in the trade in the eighties and in the early nineties. Too much stress need not be laid on this all-important point on which besides myself other speakers have at previous annual meetings drawn pointed attention. It will be hopeless to spin higher counts and weave finer cloths until improvement in the raw staple takes place. Next the supply itself of the raw material needs to be well considered in view of future eventualities. For some years past the indigenous supply has been partly divided between India and Japan. The last is now a larger importer than all the continental ports and the United Kingdom. But if the report given out in the press sometime ago be correct, there may be another colossal sharer in the annual supply of our cotton.

But even here it is the counsel of perfection to be forewarned. It may be that cotton cultivation may

extend in the near future, now that the effects of the two late famines are happily passing away, and that we may not feel the pinch which is the same thing as dear cotton and, therefore, a diminished margin of profit, or even none at all. Whether it will be so or not we must leave coming events to inform us. But our Association can certainly take a leaf out of the book of the Manchester organisation which is now rightly making efforts, in view of the latest developments of the American Cotton Trade, to become as far as practical somewhat independent of New York and Boston. I refrain from harping once more on the physiological part of our industry, which is also looming in the distance, and is destined one day or another to affect the margin of profits. Ravages of pestilence and the lamentable mortality arising from diseases of the respiratory organs have their own lessons to teach to us as far as our operatives are concerned. In this connection it will indeed be a red-letter day in the annals of the Association when the correspondence going on for months past between the Improvement Trust and the Committee takes a practical shape and the first block of chawls is built. For it is superfluous to state that whatever tends to improve the sanitary conditions of the dwelling places of our working classes is an economic gain of the highest value. As Mr. David has made special mention of the subject in his practical speech, I refrain from expatiating on it any more. That is one part of my parable under this head. The other is the apprehended scarcity of labour. It is a serious question on which the sooner the attention of millowners is rivetted the better. In this connection I am glad that my suggestion for a provident fund for the opera-

tives made at a previous meeting is recalled by Mr. David.

Thus, Sir, viewing the present situation of the local cotton industry from all points of view, external and internal, which have been confronting us for some years past, it seems to me that a severe self-introspection at this juncture will not be unwelcome. None will deny that the many elements to which I have referred are a source of anxiety to the trade, and it will depend on the practical sagacity we may bring to bear on their respective solution for our common interests, how far the industry will be prosperous in coming years. I am far from indulging in pessimism, but experience informs us how a callous and continuous disregard of existing conditions of an unsatisfactory character would lead in the end to evil consequences. It would, therefore, be a part of wisdom to introspect ourselves as suggested, if we are to succeed in avoiding those elements which now threaten the future prospects of the industry. One word more and I have done. I do not say anything on the subject of the disastrous effects on the spinning industry by the extreme dislocation of China exchange neither have I any inclination to say aught on the all-absorbing topic of preferential tariffs to which reference has been made by our friend, Mr. David. As to the first, it will be sufficient to say that all artificial currency is doomed to failure, despite temporary success. But Bombay owes a great deal to Mr. J. A. Wacha for his initial agitation in the matter which has now been so well taken up by Sir Edward Sassoon in London.

As to the preferential tariff controversy, it hardly falls within the scope of our report, but I must, all the same

express my entire variance with the views propounded by Mr. David. It is my strong conviction that it will be an evil day when Indian interets come to be wholly subordinated to the policy of the self-governing colonies. Their interests are in conflict with ours. Whatever may have been the causes which have unfortunately wrought the present economic evils in the country by reason of the trade policy of our rulers in the first half of the nineteenth century, we should carefully guard against the aggravation of the evil at the present hour. While admitting that protection within certain well-defined limitations and restrictions, is necessary for the protection of young industries in India, it would be, I repeat, an evil day when the first principles of free trade are superseded by the hollow plausibilities and shibboleths of the Imperial Protectionists. Preferential tariffs contemplated by Mr. Chamberlain's propaganda are liable to be destructive of a large portion of India's foreign trade. Not only are there wheels within wheels which will diminish that trade, but it will have a certain tendency to cripple the purchasing power of India, poor as it is, and, in the long run, embarrass the finances of the country, leading ultimately to enhanced taxation. And I take this opportunity to raise my warning voice against the dangerous experiment.

*Disturbing elements in mill prosperity ; Amelioration of operatives ; Provident Fund and external factors.**

Considering, Sir, that there is again a tide in the affairs of mill owners which is leading them on to fortune, it would, I deem, be not uninstructive if I occupy a few minutes of the time of the meeting in reviewing at this juncture the twofold conditions on which invariably depend the progress and welfare of the cotton industry in India, of which our city is the greatest stronghold. As I said once before at this table, the elements which spell its weal or woe are its own domestic economy, and that external circumstance over which it has no control. Our home trade may be all that we wish for and yet owing to foreign causes, whether of disturbed politics, strained diplomacy, exchange and so forth, there might be a restriction of production or an abnormal advance in the price of the raw material or a depressed condition of the market with low prices or a combination of these with other minor disturbing influences. Or it may be the converse. The external factors may be most favourable and yet physical abnormalities of diverse descriptions or monetary stringency having the effect of diminishing credit and consequent paralysis of ordinary working may be stumbling blocks in the way of smooth prosperity.

As far as production is concerned, it would be found taking the official return for the nine months ending December, that Bombay had not crept up either to the totals of 1902 (31·50 crore lbs.) or that of 1903 (32·63 crore lbs.). The total registered was only 30·93 crore lbs. These statistics clearly show how far we have a leeway to make up to the one of December last. Of course,

* 19th April, 1905.

Sir, I agree with you in what you said in your opening speech, that there is not at present a single spindle idle. Let us hope this favourable condition will continue. But the meeting will, I am sure, agree with me that when we are talking of production and prosperity, we should not fail to take into consideration recent facts. Indeed, there is so much loose talk of an unverified character in connection with this matter that it is but right the public ought to be well informed. That the future industrial progress will for years to come be more in the direction of weaving rather than spinning cannot be gainsaid. Speaking as an Indian it is to be devoutly wished that progress may so far be consummated as to enable millowners at the end of another decade to diminish at least 25 per cent. of goods imported from Lancashire. There is great scope for the production of medium shirtings, and I hopefully look forward to the day which may witness the consummation just referred to.

But, Mr. Chairman, you have again raised your cry as to the paucity of skilled labour. I have my grave doubts with all deference to your opinion as to this cry. The Indian mill operative is what his environments have made him. The illiterate or semi-illiterate youth of today may become a practised and somewhat skilled operative twenty years hence. But what could you expect from him beyond this? What steps, may I ask, have the mill-owners taken to improve the labour required by them? Admitting for argument's sake the fact, as alleged, of the scarcity of skilled labour, what action has been taken to induce such an abundance of supply as should meet our requirements? We are all apt to cry out at an evil, but what practical action and

enterprise do we put forth to remedy it? I cannot help, Sir, remarking in this place that in some respects Bombay mill-owners seem to lag woefully behind in discharging their obvious duty. For years together they have similarly cried about improving the staple of divers grades of cotton. But have they ever taken any concerted action in the matter? Have they ever raised their little finger to remedy the growing evil? Of what use is crying like the cartman in the fable and appealing to Hercules, when both duty and interest demand that they should put their own shoulders to the wheel? As far as the operatives are concerned, education is a first necessity. Secondly, I believe that for skilled men wages commensurate with skill are essential. But they are neither here nor there. Lastly, I repeat what I have said in this room half a dozen times that you will never be able to keep in the front rank of your industry till you have made a salutary change in the physical condition of the operative. That condition imperatively demands a working day of ten hours. I repeat I am a strong believer in shorter hours. Industrial physiology demands it; but industrial avarice is too rampant to see the good of it till one day it will kill the goose which lays the golden egg. In this connection, Sir, it is far better that mill-owners should introduce reforms spontaneously which, for want of that spontaniety, may be enforced by the legislature. The labour question will certainly be the future vexing problem for mill-owners and the sooner they begin to solve that problem, the better both for themselves and labour.

Speaking generally on some of the points which the Chairman has touched, I may say, as regards the proposed Provident Fund, that if it is to be instituted on a

practical basis, then the mill companies should combine to have a separate Association. It is the only way to carry out the beneficent purpose methodically and on a scientific basis. For my part I should welcome any practical suggestion. I have therefore no objection to a small Committee threshing out the question and making a report recommending some reasonable scheme. As to inoculation, whatever its prophylactic virtues may be, and there is a difference of opinion on the point, I may say that the way in which the Health Officer seems bent on booming it is foredoomed to failure. His practical sagacity, I am sorry to say, is in no way commensurate with his zeal. I am convinced from observation that any coercive or semi-coercive measure will only lead to mischief. Neither this bizarre experiment of giving a bait. No bait however tempting will induce the illiterate, the superstitious and the exceedingly suspicious mass to voluntarily offer itself to inoculation. And I, for one, deprecate this latest boom which is attempted in this direction. It must prove abortive as scores of other so-called remedial measures to prevent the plague have proved. Lastly, there is one more topic on domestic affairs to which I would briefly allude in reply both to the Chairman's and the Deputy Chairman's observations on the Victoria Technical Institute. Letting alone the criticism, interested and disinterested, which has appeared in the Press, and which was heard in the hall of the Corporation, I may say that all are agreed, even the Board of Trustees, that its sphere of utility should be expanded. But the rub is there. Institutions are cribbed by reason of their limited resources. And the Technical Institute is no exception to the general rule.

Again, the present Trustees have had to deal with the legacy of some of the past members of the Board who had had the active management in their hand. It greatly hampered progress. And it is a fact that in spite of it, great progress has been achieved; but I do not at all agree with the Deputy Chairman that even when his so-called experts are on the Board, they will be able to do much. This question of "experts" is just on the brain of many not quite conversant with the constitution of the Institution. It is in my opinion hollow cant.

Coming to foreign or external affairs, I think it was Mr. S.M. Moses, as a member of the Chamber of Commerce, who observed at its General Meeting the other day, that it was time the Indian Government now paid its earnest attention to placing the Eastern exchange on a stable basis. All merchants and manufacturers trading to the East are agreed on this point. For they have all been hard hit in the past. It is only for the last few months that silver has not fluctuated so violently and has kept somewhat steady. I am one of those who would not appeal to the Government in this matter, for I do not believe in the permanence and soundness of a Currency which is artificially propped up by the State exchange; if it is to be stable at all, it should be stable on rational lines. My belief is that there are causes transpiring now which will lead to a closer parity between silver and gold without any interference by the State. It may be taken for granted that the Indian Government will continue to coin regularly about four and a half to five crore rupees per annum. That demand for silver will be a steady one. Next, there is every chance of the opening up of the interior of China. The close of the present war in the

Far East is likely to see a slow but steady economic revolution of beneficent character in China. As trade develops and exports are stimulated, the demand for silver must necessarily be great. China will need all the cheap silver that the world can give it to build its railways and start new industries. Moreover correspondence is still going on between the United States and the Chinese Government in reference to the Indemnity. Lastly, the Mexican Government has for the present ceased the coinage of private silver at its mints. All these are signs for a steady rise in the white metal. Moreover, we cannot forget the world's growing production of gold. The record of last year was 65 millions sterling. Should the world's mines produce more year after year, there is every probability of cheap gold. And it is superfluous to state that in proportion to that cheapness the value of silver must rise. It may be that I am taking a sanguine estimate of the future prospects of silver. I am prepared to stand correction. But taking a survey of the situation in all the aspects presented to us to-day, I cannot help entertaining the belief that silver must sooner or later come into closer parity with gold. Such a natural transition is far more to be preferred than any State-managed currency, even for China. With these observations I support the resolution.

*Extended Cotton Cultivation and Improvement; Excise duty and Increased Japanese Competition on yarn.**

There are three points in the speech of the Chairman to which I would draw the attention of the Meeting, namely, the diminished exports of yarn to China, the excise duty and the representation made by the Manchester Cotton Growing Association to the Government of India. I will take the last subject first and the first last. I am not at one with the Chairman that we should resist the attempts of the Manchester Cotton Growing Association to be allowed to grow long stapled cotton for its own use in India. We have done nothing or next to nothing these many years in the direction of either extending the cultivation of cotton or improving the staple of certain important varieties.

We have met in this Chamber year after year and made wail but have in no respect actively raised even our little finger to do that which is conducive to our better interest. Have we, may I ask, put our hands into our pockets? I mean, have the wealthy mill-owners of the western Presidency come forward to achieve the object in a practical businesslike way? Here is the Manchester Association, which has subscribed a capital of half a million sterling, with which to make a beginning. They have told us that they mean business in all seriousness and this half a million to commence with is an earnest of their intention. But what may be the tangible endeavour of the wealthy mill-owners? Nothing. Well, my friends on the opposite side of the table, say a Syndicate with a capital of a

* 28th March, 1912.

lakh and over has been formed. Granted. What then? Can practical men of business aver that with this magnificent sum anything substantial could be accomplished? One swallow does not make a summer and this lakh will never do it. You will require many more lakhs. But where are they? While such self-help as is essential for the purpose in view is absent; we, year after year, appeal to Hercules, that is the Government, to do what we ourselves should do. Why, Gentlemen, if you are regular readers of the official reports on agriculture, you would be convinced that the Government has put, and is putting forth, its best efforts, especially during the last few years, to improve certain qualities of cotton, in making experiments with others of an exotic origin, and so forth. We cannot expect Government to do more. Government is entitled to say, put your shoulders to the wheel. But you never do that. It is our own interests which demand that we should extricate our cart from the rut in which it has lain these several years past. Once a year you come here and air your manuscript eloquence and then go to sleep. The Manchester Cotton Growing Association have shown the way. If we are true to ourselves we should endeavour to follow in its wake in a practical manner. We should put our hands in our pockets and strive to show tangible results instead of having academic harangues on the subject.

Coming to the Excise Duty, of course, it has now become a hardy annual. But is it right and proper that we should hammer at the repeal in season and out of season? What we want in this matter is fiscal justice. It is this which we seek. We have borne the pecuniary consequences of this unfair treatment since the date of

the imposition of the duty, and no doubt we are destined to bear them till the British conscience aroused to the unfairness of it, repeals the duty. No public body in this country has more vigorously protested against it than ourselves. The very first protest made in 1894-5 is conclusive enough, and we owe it the economic experience and ability of the late Mr. Marshall that he prepared the whole case so elaborately and comprehensively for the earnest consideration of the Supreme Government. Reference is made to the interview members of the Association's Committee had had with Mr. Clarke last year. But, curiously enough, on behalf of the Government, he changed his venue. Till the date of that interview the plea urged times out of number was that the duty was to give equal protection to Manchester goods. When it was pointed out that Indian mills did not turn out cloths, which competed with those of Lancashire, which needed no protection whatever, they started the hare or theory of substitution. It was this theory which till late was trotted out and put in the forefront of the controversy by Government. It was urged that Indian mills, though they actually did not turn out certain descriptions of cloth of an idential nature as exported by Manchester, they manufactured stuffs akin to them but of a lower quality which somewhat competed with Manchester. Last year I asked for corroborative evidence in support of that plea. I asked if that be the case let Manchester prove it. I repeat that challenge to-day. Why should not Manchester on whom lies the burden of proof, adduce accurate data and rebut the challenge ? Why will not the Government do so by means of an impartial Committee of experts, I mean those neither prejudiced nor biassed the one way or the

other. But, Gentlemen, it is of no use further animadverting on this subject. Mr. Clarke has changed his venue. His Government, having no legs to stand upon, is supporting itself now by the crutches offered by the diminished revenue threatened by the extinction very soon of opium receipts. They have now, very late in the day, after nearly 17 years, perpetrated a somersault and urged the plea that the duty is imposed purely for revenue purposes. The Government cannot forego the duty amounting to 1·25 crores realised on imported cottons on an average during the last three years. But I may mention to you that this duty includes duty on white and coloured goods and hosiery, in all of which there is absolutely no competition. Practically, then, the goods which can be considered as competing with Manchester are grey goods. The duty on these has averaged 57 lakhs during the last triennial period. However, I need not say more on the subject. As I observed last year, in matters fiscal, India, being only a dependency, can never get the financial justice which she has clamoured for, and it is to be feared that so long as this injustice lasts, there will be no repeal, unless, I repeat, meanwhile the British conscience awakes to a sense of this great iniquity.

I now come to the wail touching the diminished exports of yarn to China. Of course, these exports have been diminishing for some time. As I have observed here and elsewhere, Japan for the last eight years has entered into serious competition with our yarn in China, and that it behoves us to see how we could counteract it or find other markets for our surplus products. Japan has increased its yarn exports from 2·41 crore yen in 1904 to 4·02 crore yen in 1910. The increase is 1·61

crore yen equal to 70 per cent. It is to be feared that unless we can break down this formidable competition we must cast about for other markets for the surplus yarn. My fear is, once China is politically strong, railways and cotton mills will vastly extend. Even Japan's exports may be clean driven out. That is the economic contingency. But here too, I ask what have we done to find out fresh markets? You are lucky in securing some few shot years ago, the Levantine market. Why is it you are fast losing it? Have you been able to keep up the standard quality of your yarn, specially in reeling? Has it not been the case that a large number of arbitration cases had to come up for allowances. Gentlemen, you have to put your house in order. You have to see to your internal management so as to obtain the best products which may maintain themselves in foreign markets and work off your surplusage. What have you done? Nothing again. Like Rip Van Winkle once a year you wake up from your sleep, rub your eyes, gaze at things for a few moments and then go to sleep again. Can our industry and enterprise flourish under such a condition? We must be up and doing. Self-help in every direction is absolutely essential. We have to put our shoulders to the wheel in order to see our industry prosper. Otherwise, mark my word, Gentlemen, it must end in adversity. So please put your house in order. When the day of tribulation comes, as it must come under present conditions, though I may not live to see it, let it not be said that we lost by our own indifference and apathy. Already I see written large the handwriting on the wall: "Mene Mene tekel, upharsin". Thou hast been weighed in the balance and found wanting. It is for you, gentlemen, to falsify that ominous prophecy.

*Import and Exports; Lancashire Cotton Industry and the Causes of its Success; Swadeshi bank failures; Capital and labour; and education of factory children.**

I should like to say a few words in respect of import and export statistics of Japan and China, to which my friend, Mr. J. A. Wadia, has referred. It ought to be remembered that the imports and exports of a country depend on many factors, such as the economic resources and conditions of the people, its geographical position, its tariff and its policy in reference to internal trade. There are also the factors of debtor and creditor. All these elements must necessarily enter into a consideration of the analysis of one country's trade compared to another. In reality what superficially seems simple enough is a most complicated and difficult problem. Japanese imports and exports of yarn and piece-goods are all well by themselves. But when we come to make their comparison with Indian imports and exports of the same commodities, we have to be very cautious and take into consideration the numerous factors to which I have just referred, including labour and wages. In the first place, we have to remember that India is a dependency whereas Japan is an independent State. The latter is in a position to dictate her own policy with regard to foreign trade. India's policy in the same direction is entirely guided by the British Home policy; apart from this, Japan is a small country compared to India, while the environments, physical, moral and intellectual, of her people are different. Similarly with China, where, of course, other factors apart from those of popu-

* 19th April 1914.

lation, enter. China is homogenous in one way, whereas homegeneity is an aspiration of Indians for the future. China, again, at present is dominated by foreign interests of a conflicting character, and we know how far her resources and other economic developments are retarded by reason of those interests and influences. Under the circumstances, without further enlarging on these questions, it may be observed that a superficial examination or comparison of trade statistics is often misleading. But I will no longer detain you on this subject.

Coming to the Lancashire Cotton Industry I should again remark that a comparison is futile. We have to remember that the industry has now been established there for 150 years; whereas in India it is only in its fortieth year. Lancashire owes its world-wide success in cotton manufactures to its past experience; its men of inventive minds and unflagging energy and the genius of the Anglo-Saxon race. Its spinners and weavers form a really hereditary race. These specific environments are the key to the success of Lancashire spinning and weaving. The question of labour and wages, again, stands in a different category from that of India. Moreover, Lancashire imports all its raw material from foreign parts. Not an ounce of cotton grows in the country. Neither can it ever be commercially grown. Further, Lancashire has, by her efforts, nay unflinching and persevering efforts, nursed for over half a century, both home and foreign markets. The natural advantages of iron and coal, combined with the other contributory causes just enumerated, have vastly facilitated the progress of this great staple industry of Great Britain. Where may

all these factors be in India? Even labour once so cheap and abundant, is now dear aud scarce. India, no doubt, possesses in abundance the raw materials and she has in her midst not an inconsiderable number of hereditary hand-loom weavers. But those weavers are illiterate and hardly skilled. Practically, therefore, they are in no way an assistance to mill-owners, as are the hereditary spinners and weavers of Lancashire. So that taking everything into consideration, it is hardly possible for us to make any sort of comparison of our own products with those of Lancashire. We are yet a long way behind Lancashire, and if we are to progress and prosper in the future we should take a leaf from its book and follow in its footsteps.

As to the Excise duty, I agree with my friend, Mr. Jamsetjee Wadia, that it does not operate as a hardship, but it does, and most grievously, operate as a great fiscal injustice. In this matter, however, as I have already observed, we are govened by Home policy. And so long as the Government at Home has to consider matters fiscal relating to India, it has alway been the case from the days of the selfish East India Company till now, to give the interests of this country a subordinate place. Every possible argument that could be urged against this fiscal injustice of the excise duty has been urged. The late Mr. Marshall, our former able Secretary, had himself exhausted it and we have been reiterating it, in diverse ways till now, but to no avail. In short, whenever the interests of Lancashire are in conflict with those of India, India goes to the wall. But progress is the law of life; and I feel confident, be the injustice what it may, so long as Indians are true to themselves and put their shoulders to the wheel, they are bound to achieve success ultimately.

Self-reliance is essential. As they say, nations by themselves are made. Let the leaders of the Cotton Industry in this country, relying on themselves, put forth their best efforts to neutralise the evil consequences arising from such injustice. It is not difficult of accomplishment.

Touching recent Bank failures, I would only say this that, apart from a fraudulent spirit and reckless speculation which are common to certain persons in all parts of the world, the principal cause is to be traced to the absence of that liberal and scientific Bank-training, which is absolutely essential to those who aspire to be Bank managers. Secondly, they must understand what is legitimate banking and discriminate between it and what may be called financing of all sorts and degrees. In the great monetary institutions in England, the Continent and the United States, it is, not, as here, that any Bank clerk or subordinate can jump into the chair of the Bank manager without any Bank training to speak of, of the character I have referred to. There Bank managers begin from the lowest rung of the ladder till by varied experience acquired from China to Peru, they rise to the responsible posts after many years. In this line, as in many others, proved merit and ability are the only qualifications. I have great hopes that in the near future we shall have Indians of much training and experience and that the newly instituted College of Commerce, if placed on a well-devised and solid foundation, would be a great instructor in this direction.

Then as to education for factory half-timers, it goes without saying that that education should now be

imparted in right earnest. I agree with Mr. Jehangir Petit that if education is to be imparted to the children of the working classes, it should be for all such children and the education should not be confined to cotton factory operatives. These factories are not the only institutions where a large number of workpeople are employed. Indeed, the Government itself is a large employer of labour in many branches. But apart from the wisdom of such a course, I would observe that millowners in their own interests, should make a beginning in earnest not relying on what the Government may do. The torch of elementary instruction should be held forth to the illiterate operatives. The more they are educated, the more they will become alive to their responsibilities, and realise the mutual obligations of employers and employed. Labour has its rights and privileges and freedom of action as much as capital. But I will not further detain you on this subject : nor on the larger problem of the scarcity of factory labour which offers so many aspects for consideration.

Lastly, as to the awakening of the Chinese to which Mr. Petit has alluded, it is an awakening in reality and no mistake. A homogenous nation as they are, with enough of the patriotic spirit, the Chinese have awakened thoroughly to understand two economic facts. The immense national evil, physical and moral, in the past, arising out of the vicious opium trade for which the East India Company is principally responsible. They understand how the country has been drained of crores of dollars for opium annually imported from India for the last three quarters of a century. They are now seriously intent on stopping the drain and using

the moneys for the development of the many rich resources of the country. Secondly, they have fully realised the advantages of communication and transport. Railways are in evidence and will be more so as law and order are thoroughly established. Thirdly, the speedy construction of any number of cotton factories which will clothe the ever-growing population and thus drive away foreign imports of yarn aud piece-goods. Indian yarn, of course, is being slowly driven out at present by Japanese. But it may be taken for granted that the time is not far distant when the Japanese products too will share the fate of the Indian. The Chinese are an exceedingly industrious, honest, frugal and ingenious race, but they are like the tortoise which is known in the long run to overtake the hare, and I may conclude my parable with an illustration—an historic one of this characteristic which was in great evidence in the eighties of the last century when the Great General Tsungso compelled Russia to evacuate Kaldja. He marched by stages from Pekin to that town in Chinese Turkestan, but at such a slow pace that it took eight years before he reached it and ejected Russia, which intended to grab the town.

---

*Lancashire's cry of protection once more proved fallacious; Injustice to India now removed after 20 years' incessant appeals.**

After the exhaustive and elaborate speech just read to you by the Chairman I will refrain from taking up your time by traversing the same ground, specially in view of the fact that His Excellency himself has to address the meeting. The speech of the Chairman may be divided into three sections: (1) domestic, that is to say, that which had reference to the events of the cotton industry proper; (2) that which referred to the war loan of 100 million pounds contributed by India; and (3) to social problems touching the education and condition of operatives, their insanitary dwellings and so forth. On the sociological part, too, I refrain from making any observations, but it should be distinctly understood that I do not endorse every word of what the Chairman has said in reference thereto. Those are problems of a highly controversial character of which much could be said for and against. I, therefore, would confine myself to one point only, namely, the agitation which Lancashire has once more raised on the enhancement of the import duty on cotton manufactures by the Imperial Government of India from 3½ to 7½ per cent. That this duty has given the greatest satisfaction to India goes without saying. Justice has been done, however tardily to India, and the burning cause of injustice in matters fiscal has been removed. It would be superfluous at this time of the day to recall the history of the countervailing excise duty against 3½ per cent. import duty. This Association submitted a vigorous memorial to the

* 10th April 1917.

Government of India, full of facts and arguments, protesting against the absolute unfairness of the imposition. A deputation consisting of the late Mr. J. N. Tata and Mr. N. N. Wadia waited on the Government at Calcutta, in company with the Secretary, the late Mr. Marshall. But the memorial was poohpoohed by Mr. Westland, the Finance Minister. On the very next day a fresh memorial was presented in which all the statements the Finance Minister had made were vigorously and effectually traversed. Indeed, Mr. Westland was smashed, and the cry of Manchester was proved to be specious and hollow. Well, much water has flowed under the bridges since that date, now twenty years old. And because the injustice which had so long rankled in the heart of the Indian people has been removed, Manchester has once more lost no time to raise a fresh agitation.

For full 40, if not 50 years, its agitation has had great success.

This time Manchester has been unsuccessful. Hence all its impotent wrath! The mail has brought the file of the "Manchester Guardian" which is the greatest protagonist of Lancashire cotton interest. A paper which is politically sober and most broad-minded is, unfortunately, generally perverse when Indian cotton interests conflict with those of Lancashire. There have been five articles written from day to day almost in one week. Leaving aside all other minor and irrelevant issues, there is only one cry which needs to be referred to here. It is once more the stock cry of protection to India. Our mill-owners are a body of fat manufacturers flourishing beyond the dreams of avarice and sweating the poor

operatives into the bargain. Well, the sweating argument does not lie in the mouth of Manchester, because in the first place it is absolutely incorrect. Secondly, Manchester has forgotten the sweating it used to practise, a sweating never known even in the earliest history of Indian cotton industry, in the olden days before the date of the first factory legislation in Manchester, an account of which, a graphic account, may be read in the pages of the history of the industry by Professor Chapman. What then is this renewed cry of protection? I have been at some pains to analyse closely the statistics of the imports of Lancashire goods and of the qualities of the stuffs imported and the production and the qualities of the cloth manufactured by Indian mills. I am not going to weary you with those statistics; but I will give you the result of my study in a nutshell. If I am wrong I shall be glad to stand corrected by some of the members present here, who are large importers of Lancashire goods.

I take the year 1913-14 as the year just before the outbreak of the war when the imports were exceedingly great. According to our official trade returns the imports of three large classes of Lancashire goods were as follows:—

	Crore yards.
Grey	15·160
Bleached	78·14
	229·74
Coloured	77·08
Total	30·682

The Indian mill production returns do not give separate figures for bleached goods, but I may observe that the production of this class of goods is absolutely negligible as my friend, the Honourable Sir Fazulbhoy, who owns the only one complete factory specially laid out for bleaching, can testify. Here then is the production of cloth produced by our Indian Mills in 1913-14:—

		Crore yards.
Grey and Bleached	...	87·24
Coloured...	... ...	29·18
	Total	116·42

Thus the entire production of Indian mills was just 38 per cent. of the total imports of Lancashire goods.

Now let us at once come to the main point at issue. Out of the 87·24 crore yards of Indian grey and bleached goods how much really entered into competition with those of Lancashire? There were only two principal descriptions, the rest were of an entirely negligible character. The two principal descriptions are:—

		Crore yards.
Dhoties ...	... ...	28·27
Shirtings and long cloths	...	29·14
	Total	57·41

So that you will see that against 229·47 crore yards of Lancashire grey and bleached goods there were just 57·41 crore yards which might be reasonably said to compete with only some varieties of dhoties and shirtings.

Next, as to coloured goods. Here the Lancashire stuffs amounted to 78·14 crore yards. But it is important to

remember that fully 59·82 crore yards were of descriptions of which not a single yard has hitherto been made by any Indian mill. There are :—

Cambrics	11·31	Crore yards.
Prints	20·73	,, ,,
Shirtings	15·19	,, ,,
Unspecified	12·59	,, ,,
Total	59·82	

Practically there remained only 18·32 crore yards of coloured piece-goods of Lancashire make. Again, the Indian mills produced a variety of stuffs amounting to 29·18 crore yards. But how much of these competed with the 18·32 crore yards of Lancashire? An examination will tell experts in that line that only a few. Indeed, the coloured descriptions made by India are different from those of Lancashire. No doubt there are some clever limitations. But on the whole, it is more than doubtful that Indian coloured piece-goods entered into anything like serious competition with those of Lancashire. Coming back to the imports of 222·24 crore yards of grey and bleached Lancashire stuff it is also useful to remember that the description known generally as "jacconets" which include madapolloms, mulls, cambrics, etc., amounted to 45·60 crores, but no Indian mill makes any jacconets to speak of. Neither the description known as "nensooks"; so that these two alone make up 66·38 crore yards out the 222·24 crores of grey and bleached, goods. That leaves 57·41 crore yards of dhoties and longcloths which enter into competition. I leave it to you to say how far the countervailing duties on Indian cloths were all through justifiable? Out of a total of

306·82 crore yards of Lancashire goods just 57·41 crore yards of Indian goods compete at a maximum though even here qualifications are necessary. So that for 18 per cent. of Indian goods which may be said to enter competition—a mere bagatelle—India has under the pressure of interested Lancashire to pay for these twenty years past a countervailing duty. And it should be remembered that it is within recent years even this much competition is discernible. At the date of the imposition in 1896 there was really next to nothing. I, therefore, leave it to you to infer how far the old, old cry of "protection" raised by Manchester is at all well-founded.

WELCOME ADDRESS TO THE 30th CONGRESS.

[*The following is the full text of Mr. D. E. Wacha's Address of Welcome to the Delegates as Chairman of the Reception Committee of the 30th Indian National Congress held at Bombay, on 27th December, 1915.*]

BROTHER DELEGATES, LADIES AND GENTLEMEN,

Though we are meeting to-day in this great "Unconventional Convention" under the dark shadow of a triple tragedy, unprecedented in its thirty years' history and though the dismal clouds of war still hang over the Empire like a vast funereal pall, I feel it my duty and a great honour and privilege, delegates to the Thirtieth Indian National Congress, to offer you, on behalf of the Reception Committee, a most hearty and cordial welcome. I know that you have responded in such strength and numbers at nothing else than the simple call of Duty. In the present condition of mental anguish and pain at the three lamentable events of a heart-rending character which have occurred within the short space of ten months, it is indeed a source of solace and comfort to see around me some old friends yet of the Congress in its earliest stages, friends, alas, too few but still spared to march in the vanguard of leaders and bravely to hold

aloft the scared Standard of the Congress on which are inscribed in indelible letters the watchwords of Liberty, Progress, and National Unity, which in the fulness of time are destined to lead us to the cherished goal of Self-Government under the beneficent ægis of the great Anglo-Saxon race in whose hands an inscrutable Providence has for so long happily entrusted the destinies of the millions of this great country.

It is indeed to me, personally, an exceedingly sad reflection, in the midst of the mournful circumstances that have occurred, that so many of the founders of the Congress which took its birth in this City just thirty years ago, have, alas, gone to their last resting place. Many have gone full of years and honours, a few before their time, and some at a time when their need was the sorest. The Congress can never forget the name of Allan Octavian Hume who was indeed its father. Neither can it be ever oblivious of the memory of his earlier colleagues in the great national work, colleagues like W.C. Bonnerji, K. T. Telang, Ananda Mohan Bose, Budrudin Tyabji, Ananda Charlu, Rangaya Naidu, Pandit Ajodhya Nath, Pandit Ganga Prasad Varma and others. But it was a cruel stroke of fate that deprived us at the beginning of this year, of the youngest but the most faithful and indefatigable of workers in the person of the good and gentle Gopal Krishna Gokhale. As if that was not enough, the hand of the Reaper deprived us only two months ago, as if in electric succession within eight days of each other, first of that great and sympathetic Englishman, no other than Sir Henry Cotton, whose love for the people of this country in which he was born was as great as the zeal, loyalty and statesmanship which he served his Government. And

lastly, Sir Pherozeshah Mehta, whose swift and sudden death has not yet dried the tears of millions of his countrymen whom he served so uninterruptedly and selflessly for well nigh half a century. The whole country laments the death of these three great pillars of the Congress, and its people smite their heaving breasts with cruel blows. To me, I assure you, the shock, coming as it does in the autumn of my life, has been so great that I feel dazed. It is impossible to realise the loss which the motherland has sustained by the death of her three sterling sons. I seem to hear all around convulsive sobs and grievous moans. Never before had we to mourn such a triple tragedy. All that could be said in appreciation of these sturdy Congressmen has been ere now said to full and overflowing. However, the many eulogies and panegyrics that have been pronounced seem to act on those who survive like those dull narcotics numbing pain of which the Poet has sung in his doleful elegy. It has been said that those who die nobly have not lived in vain. That sentiment might, with absolute truth, be predicated of the three who have gone, we fervently hope, to swell the fulness of the eternal psalm and to ripen slowly to a higher birth. No storied urn, or animated bust will ever bring the spirits of these dear departed friends—the benefactors of the Indian race—back to their mansions, but their good deeds will live from generation to generation in the hearts of the people. They have left foot-prints which the present and coming generations might in all humility tread if they wish to lead their country to a higher destiny.

While warmly welcoming you all, brother-delegates at this Congress, allow me, please, to tell you at the very outset that conscious as I am of my poverty to emulate

the wealth of intellect of Sir Pherozeshah Mehta, his elegant diction, the stately dignity of his sonorous sentences, his penetrating political insight and sagacious statesmanship and, above all, his ringing eloquence combined with the charm of his magnetic personality. I crave your indulgence and patience, whilst standing in his place as Chairman of the Reception Committee, to give my own homely thoughts in my own simple language. First of all I cannot but echo the sentiments and feelings which have prevailed and are still prevailing among millions of the population whose representatives you are in this great assemblage from far and near from the farthest confines of the land to those of this Presidency and the City, regarding this terrible war raging on the Continents of Europe, Asia and Africa. It is a monster scourge, unrecorded in the history of the world, ancient or modern, the end of which not even the most prophetic eye is yet able to foresee. But we are all confident that the end, whenever it comes, will be a triumph of those who are fighting for the emancipation of oppressed nationalities from the barbaric militarism and tyranny of those who vainly aspire in their lust of unconquerable ambition for a world empire, undreamt of even by him who had conquered the ancient world. In this great moral combat, England once more has drawn her sword, as she did a century ago, but with the added strength of the entire Empire which is under her sway. Nobly have the daughter colonies from Canada to Australia come to her support with a spirit of burning patriotism which shall go down as a bright page in history. And equally nobly have the teeming millions of India rallied round her glorious Standard and the bravest of them are shedding their life blood

for the cause of the same freedom which they know is so important and invaluable for their own progressive civilisation. The sterling loyalty of the Indians has been demonstrated to the hilt, while the sceptics and the scoffers who loudly lisped of their so-called lip-loyalty have been silenced. Such indeed is the time's spirit and such is the one imperishable lesson it has taught. Princes and people alike have vied with one other with a united heart and identity of purpose and interest to prove to the great British nation their gratitude for peace and blessings of civilization secured to them under its benign ægis for the last hundred and fifty years and more. Who could have dreamt three years ago that India's indigenous sons would go forward and take their place in the fighting line, side by side with the Armies of Britain and her Allies on the soil of Europe and that they would achieve those miracles of valour which the Generalissimo of the Army, Sir John French, has nobly recorded in words not to be mistaken and which have been so generously accentuated by our Most Gracious Majesty the King-Emperor himself. India is fully prepared to undergo every form of sacrifice which her rulers may demand and that not with the remotest idea of boons political or any other in the near future, but actuated only by the one all-overpowering motive of standing by their side in this their greatest hour of world crisis, on the ultimate issue of which hangs the future weal or woe of human liberty in the entire civilised world. It is in this spirit of loyalty and devotion that the Princes and people of India are working and shall work, I am perfectly confident, till the arms of Britain and her Allies have achieved their glorious triumph. As sure as day the Teuton is being driven to his destiny. As a writer

prophetically said some years ago, "the stone throne of Germany with its feet of cannon balls is part of the befitting and to be expected destiny of the Hohenzollerens as Sedan is the natural end of Napoleon." In connection with this war there is but one serious disappointment to which I cannot refrain from making reference in this place. Many an enlightened and intelligent person, irrespective of caste or creed, in every province of the Indian Empire, has applied from the very date of the declaration of war, to go to the front and fight side by side with the soldiers of the regular Indian Army. Even to-day thousands on thousands are willing and ready to take up arms in the great cause for which the Allies are fighting. But, unfortunately, the permanent Bureaucracy of the land have sternly, if politely, refused those applications, the why and the wherefor of which has never been made known. It is this attitude of the Government, in the midst of the great tragic crisis, that has given the bitterest disappointment to which many a leading organ of public opinion has given full expression. Russia, which has millions of population, but less numerous than that of India, has already raised and is still raising a popular army full of ardour and patriotism to overcome the forces of the modern Vandals who are such enemies of liberty and freedom. The Colonies are similarly raising corps after corps to give succour to the mother-country, but strange to say that while millions in India are on the *qui vive* to offer their services, a kind of proscription has gone forth from the Governing Authorities that they shall not be enrolled. This is indeed an un-English attitude which is irreconcilable with the entire policy of British administration in every other part of the Empire. I am only echoing

the universal sentiments and feelings of our countrymen when I venture to say in this place that the Rulers of India still seem to mistrust the people. I will not enlarge on this subject, but I do trust and hope that wiser counsels will prevail at the seat of Government and a broad and statesmanlike policy will be soon adopted which will dismiss for ever this un-English spirit of mistrust and remove that galling disappointment which millions feel. Our Rulers have only to read aright the statesmanlike policy which Imperial Rome adopted, the policy that welded together the various subject races under her sway from distant Britain and Gaul to Mesopotamia and Persia and armed them to the teeth to support her invincible Standard against every foe of the Empire. Surely, what Imperial Rome did in the days of the zenith of her military glory, can be wisely and unhesitatingly followed to-day by the great British Empire which in its extent far surpasses that of the ancient Mistress of the World, stretches as it almost does from one end of the globe to the other. Is it necessary to say that with the millions of this country enrolled for war service, England can oppose her enemies if needed for the next quarter of a century without exhaustion? The British Government need never think of compulsory military service in the old country which has already sacrificed almost the whole flower of her manhood and youth, if it only contemplated without the least spirit of misgiving the overwhelming strength which could be secured by turning the Indian population into a voluntary army which might astonish, if not stagger, humanity.

Virility in a people is as much essential as material prosperity to their orderly and healthy progress. There should be a happy co-ordination of the arts of war and

peace. Material prosperity alone is prone to lead to effeminacy or as the poet has said "men decay where wealth accumulates." So too excessive exercise of virility alone is unproductive of prosperity and often leads to stagnation, if not arrest, of all social progress and welfare. History teaches us that that nation survives the longest which possesses in itself both the elements of virility and material prosperity in the highest degree. Indeed, Great Britain has herself shown to the world, in this unhappy war, a brilliant instance of what co-ordination of great wealth and material resources with a spirit of virility can achieve. Are we not entitled to say that this co-ordination alone has enabled her to raise the large army of over three millions without any previous compulsory military service? Wealth alone at this hour could not have accomplished this miracle which is the admiration of the world. Side by side with her material prosperity was to be discerned all through that fostering and stimulating of the soldierly spirit in her militia first, in her volunteers next, and, lastly, in her territorials. We all devoutly hope that, profiting by this great achievement, Great Britain will not deny any further to the Indian people the exercise of arms, the want of which for so many years, has led to their emasculation.

Leaving now this external factor which, at present, dominates the people of this country with one heart and one mind, let me take note of some of the outstanding domestic factors which have moulded her destiny for the better during the eleven eventful years since our great National Convention last assembled in this city. First and foremost must be noticed the Morley-Minto Reform which has greatly expanded the Constitution of the older Legislative Councils that had been brought into existence

since 1892. And though the elective basis has not yet been fully recognised in response to the universal voice of the people, we have, with our characteristic spirit of contentment, accepted the homeopathic dose of popular reform which the combined statesmanship of Lords Morley and Minto have vouchsafed to us. We are thankful for the privilege accorded to us for a freer discussion of the Budget, though here too the niggardliness of the boon is plainly discernible. A popular budget in the sense that it is known in Great Britain is yet a possibility only of the future. There is yet no element of democratisation in the method and manner in which the different Legislative Councils are privileged to prepare and discuss it. The Annual Budget in no way reflects popular wants and wishes. It is still the child of the single individual who is entrusted with the portfolio of Finance tempered only by the light of such criticism as may be thrown on it by the representatives of the people. As yet there is no attempt of a serious character based on a deliberate policy of the decentralisation of Imperial Finance. Neither is its provincial finance so far decentralised as to give a free and healthy movement to local self-government. Centralisation seems to be still stereotyped and I need not tarry to inform you how chilling, nay, petrifying, is its effect on the economic welfare of the people. Apart from the niggardly boon accorded for the discussion of the budget in the Imperial and Provincial Councils, and the privilege of moving Resolutions there is nothing special to which we can refer. The Morley-Minto Reform is only an outer crust of the bread for which the people are still crying. We are, however, thankful that the privilege has been accorded

of two Indians obtaining seats in the India Council and of one Indian being associated in the Executive Council of the Imperial and Provincial Governments. But there too, the method and manner of appointment by nomination is deemed to be far from satisfactory, for the people have absolutely no voice in their nomination. Thus, if we consider the principal features of the Morley-Minto Reform we find that they are so exceedingly defective and hardly in harmony with the growing popular sentiment and wishes that it is inevitable that sooner or later the defects which presently accompany them will have to be removed.

The other features which have distinguished the decade may be very briefly referred to here. Just as the Congress had for long voiced the reform of Legislative Councils on an elective basis, so did it in the first instance crystallise on its own platform the popular demand for decentralisation of the administration generally. Next, the expediency of extending the higher offices of the State to Indians in harmony with their greater progress and lastly the enforcement of the equal rights and privileges of Indians as citizens of the British Empire in the oversea dominions of Great Britain. As to the Decentralization Commission, of which our distinguished countryman, the late lamented Mr. Romesh Chandra Dutt, was one of its conspicuous members, you are all aware of the mass of evidence taken by it in this country some years ago. Their report in ten volumes has long since been published, but we have not yet seen any finality thereon from the Imperial Government. As a matter of fact it would seem that the mountain has laboured only to produce a ridiculous mouse. To the Indian population at large, who anticipated some

important recommendations therefrom of a far-reaching character, the Resolution of the Imperial Government is a great disappointment. Practically it is only right to say that Decentralization has made no progress whatever and the matter stands where it was before the Commission was appointed. But it is not for me to say what has often been said of Royal Commissions that they are generally known to be devices for shelving difficult or inconvenient problems. They seldom solve them. Their character has been well typified in the following couplet:—

> "Promise, pause, prepare. postpone,
> And end by letting things alone."

As to the report of the Public Service Commission, of which the late brilliant Mr. Gokhale was its most prominent Indian member, it has for the present not been allowed to see the light of the day and it is useless, therefore, to speculate on the recommendations which the Commissioners, like the Macbethian Witches, may have secretly boiled down in their cauldron for our weal or woe. All that we may wish for is, that when published, it will in no way give rise to discontent leading to fresh agitation. In this matter of the Public Service no finality can ever be reached, be there as many Royal Commissions or other devices, so long as Indians are deliberately baulked under various pretexts of their legitimate aspirations and ambitions.

Lastly, it is a matter of great satisfaction that the deep and abiding sympathy of our beloved Viceroy has been so greatly instrumental in having a Commission appointed which has led to a fairly satisfactory settlement of the problem which has so long rankled in the heart of every Indian at the hardship, injustice and disabilities to

which our countrymen were subjected in South Africa. The sagacity which prompted Lord Hardinge to send Sir Benjamin Robertson as the un-official Ambassador on behalf of his Government to use his most friendly influence to bring about a happy ending of the disagreeable dispute cannot be too highly praised. Of course, there yet remains the recognition of the principle that all subjects of His Majesty the King are entitled to equal rights and privileges of British Citizenship in every nook and corner of the Empire where waves the British flag. And we are all greatly indebted to his Lordship for the further pronouncement he made in the matter in the Viceregal Legislative Council some time ago. So far then it is a matter of satisfaction to record that the principal grievances of the people, as voiced by the Congress, in its annual Sessions during the last ten years, have had a partial redress and so far we beg to acknowledge our gratitude to the Government. In the matter of all public grievances, wherever raised, whether in the civilised parts of the world or in backward countries it seems to me that it is the course of wisdom for "shepherds of people" to satisfy those grievances in time, before they lead to unrest with its many attendant evils which can bode no good to the State and to the people alike. As that great American scholar and statesman, Mr. Lowell, has observed :—

"It is only by the instigation of the wrongs of men that what are called the rights of men become turbulent and dangerous. It is then only that they syllogise unwelcome truths. It is not the insurrections of ignorance that are dangerous but the revolts of intelligence. It is only when the reasonable and the practical are denied that men demand the unreasonable and impracticable; only when the possible is made difficult that they fancy the impossible to be easy."

At present the air is thick with another popular grievance which, as time goes on, will demand the

highest counsel of perfection and the most mature political wisdom for purposes of redress. It is, of course, in consonance with the constitutional creed laid down by the Congress, that Self-Government under the British Rule is its *ultima thule.* But the way, I am afraid, to the promised land is long and beset with difficulties which it would be wisdom on our part to take cognisance of. A hasty or rash step or a precipitate move, calculated to endanger the patriotic aspirations breathing in every enlightened unit of the Empire, is most inexpedient and absolutely undesirable. We must so balance our minds as not to be carried away by sympathy for liberal maxims into wild transports of revolutionary rapture. Great organic measures, as the constitutional history of free countries teaches us, are always preceded by a reasonable period of discussion. A variety of ideas on Self-Government, more or less of a crude or nebulous character, now mooted in the country, need to be well moulded into a crystallized form and to be tested in the crucible of practical politics before they could be materialised. It is only by such a slow and measured process that we can reach the goal. It is not the multiplicity of organisation which is wanted. What is most essential and of paramount importance is the concentration of responsible opinion, well-reasoned, well-balanced and well-directed, which might unmistakably reveal the fact that India is of one mind and one heart. There are lions in the path who will have to be overcome and we should not forget another important fact that bureaucracy, in every part of the world, is stubborn and unwilling to move. Their pace of progress is the pace of the tortoise. In practical politics we cannot omit to take into account these elements. It would not be

inappropriate here were I to quote the opinion of a distinguished member of the Anglo-Indian Bureaucracy in reference to all Indian political progress. It was Sir Aucland Colvin who in 1884 observed in that remarkable but exceedingly statesmanlike paper entitled "If it be real—what does it mean ?" contributed to the *Pioneer*, as follows :—

"While the English mind in India has been tempted to stand still, arrested by the contemplation of the fruits of its efforts in former times, and by the symmetry of the shrine, the pride of its own creation, in which it lingers to offer incense to its past successful labours, the Indian mind has been marching on, eager and anxious to expand its own sphere of action, and to do what it, for its own part has to do."

Thus it is that while the dry bones in the valley have been galvanizing themselves into life for the last 30 years and Indian humanity has been taking large strides in all matters affecting its political, social, educational and industrial welfare and is instinct with manifold activities in all directions, the Bureaucracy has been almost standing still before its venerated but obsolete shrine, making *puja* to it, while unconscious of all the progress that has been so quickly going around it. That hierarchy still seems to be little aware that the country has rapidly passed through the transition stage ever since the epoch-making Viceroyalty of Lord Ripon, and that it is now entering on a stage which is in every respect a radically different one from that to which its members have been accustomed since the mid-Victorian age. Self-Government is bound to come, I venture to say, albeit, by measured stages, from precedent to precedent. Of course, there are those enthusiastic and ardent though impatient idealists who seem to entertain the belief that they have only to pronounce aloud the shibboleth of Self-Government to realise in

a trice the accomplishment of their ideas. To such I have only to refer to the sage observations which that stalwart Congressman and robust friend of India, the late Sir Henry Cotton, made in the course of his address in this very city eleven years ago, as the President of the twentieth Session of Congress :—

"The process of reconstruction cannot be effected otherwise than by slow and gradual means. Many years must elapse before we can expect the consummation of a reconstructive policy. But it is a policy which we should always keep before our eyes.

* * * * * * * * * *

In the cautious and gradual development of representation, in the increase of your power and influence in India itself, involving the ultimate extension of autonomy, we shall find the appropriate and natural prize and legitimate goal for Indian aspirations."

So far as to the impatient idealists. As to the members of the distinguished Service, the men in power and authority, I need not say that it would be idle for them any longer to deny the ideal altogether to the Indians or to say that the country can never be ready for it or to put every obstacle in the way of its realisation. And the sooner, therefore, they prepare themselves to meet the wishes and sentiments of that New India, rising fast before it, the better it will be for their own existence and their reputation for administrative sagacity. In his memorable "History of Civilisation," Buckle has observed :

"Men have recently begun to understand that, in politics, no certain principles having yet been discovered, the first conditions of success are compromise, barter, expediency and concession. It will show utter helplessness even of the ablest rulers, when they try to meet new emergencies by old maxims. It will show the intimate connection between knowledge and liberty ; between an increasing civilisation and an advancing democracy. It will show that for a progressive nation, there is required a progressive polity ;

that within certain limits, innovation is the solid ground of security; that no institution can withstand the flux and movements of society, unless it not only repairs its structure but also widens its entrance; and that even in a material point of view no country can long remain either prosperous or safe, in which the people are not gradually extending their power, enlarging their privileges, and, so to say, incorporating themselves with the functions of the State. Neglect of these truths has entailed the most woeful calamity upon other countries."

Such is the undoubted truth which history has deduced from past politics of great States which, we fain hope, will be ever present before the mind of the rulers of present India and serve as the basis of the coming polity of reconstruction. Let us earnestly pray that this terrible war now waging may by the mercy of Divine Providence be brought to a satisfactory and peaceful close whereby our rulers may be enabled to respond to the popular appeal by laying down a far seeing policy which will give a first instalment of genuine and living representation in the active government of the country broad-based upon the people's will. And you will all agree with me that no one is more capable of formulating such a beneficent policy in this direction, on a sound and liberal basis than our present beloved Viceroy, whose sagacious and sympathetic statesmanship has already achieved for him a name and fame as imperishable as that of Canning and Ripon, in the annals of British India.

With these observations, Brother Delegates, I once more tender you our heartiest welcome to this Congress, whose deliberations, I devoutly hope, will be crowned with success.

SIMULTANEOUS EXAMINATIONS.

In supporting the Hon. Pandit Madan Mohan Malaviya's Resolution on Simultaneous Examinations, the Hon. Sir D. E. Wacha spoke as follows in the Imperial Legislative Council on the 21*st Sep.*, 1917 :—

Sir, I am sorry to say that the arguments urged against the resolution brought forward by my friend the Hon'ble Mr. Malaviya do not convince me. As far as the difficulties are concerned, I have heard of these difficulties before in almost all official arguments brought against simultaneous examinations ; these arguments are very old and they are being trotted out every time. I see that this time also they have been trotted out by the Home Member. I remember reading these things thirty years ago when the House of Commons passed a resolution (in 1892) in favour of simultaneous examinations, and the Government of India issued a blue-book in which all these arguments, which are now being trotted out, were repeated. So far, then, they are all stock arguments which are dragged in every time in order to oppose this verp simple and just resolution which has been brought forward to-day. Now as to the difficulties, what are they? The Home Member says there are difficulties in the

matter of holding examinations both in England and in India at the same time. How far the conducting of an examination in England and in India is a horrible, a terrible, thing I do not know! The same questions might leak out in England as out here. No, there is nothing in that reasoning. I may say, Sir, that the local Cambridge examinations, Junior and Senior, are simultaneous examinations : questions are, of course, put on the same day in England and in the different centres in India, in Madras, Calcutta, Bombay and elsewhere : ths answers are all sent to London where they are, of course, examined and one list is made out in which the results are declared. Where is the difficulty in the case of the Civil Service Examinations? I do not see any difficulty that the Civil Service Commissioners can find so far as these examinations are concerned. Even with regard to the *viva voce* part of these examinations, surely, there are more than one or two Civil Service Commissioners; one of them can always be deputed when the examination takes place to come out here and conduct the *viva voce* examination on the same day that the London candidates are examined there. Where is the difficulty? I do not see any at all. Sir, it is the case, that when there is a selfish interest to be preserved and conserved, difficulties always arise; red herrings are drawn across the path and this is one of the red herrings which the Honourable Home Member has brought forward to-day.

The Hon'ble Sir William Vincent :—"I really must rise to a point of order. I was only quoting the arguments which had been advanced against the proposal; I did not pretend to put forward arguments of my own. I think that it is unfair to suggest anything else."

The Hon'ble Sir Dinshaw Wacha :—"That may be; the arguments in general are the arguments of the Civil Service."

The Hon'ble Sir William Vincent :—"The Hon'ble Member may say that they are the arguments of the Civil Service, but he has no right to father them on me."

The Hon'ble Sir Dinshaw Wacha :—"The Hon'ble Member is a member of the Civil Service, and I consider that he is here as Home Member and as a member of the service which governs India.

Well, Sir, as to the other arguments. In former days, when the Congress was held, we were told that it was a Hindu Congress and that the Muhammadans did not join in it. "Of course, when there is a difference of opinion, how can we agree to all the propositions urged by a Hindu Congress." So we were not unfrequently told by the Government. But the Hindus and Muhammadans are amalgamated. There is unanimity of thought, speech and mind between both communities, Government now trot out the question of Brahmins and non-Brahmins. That is the usual way with the bureaucracy, and there is nothing particular about it. I understand it to be intelligent enough. But what if there are Brahmins and non-Brahmins? There is the Charter Act which lays down clearly that 'proved merit and ability' shall be the only qualifications for the public service. One may be a Brahmin, or non-Brahmin, or an Australian, or a Canadian, or a Negro or a Hottentot, what about that? So far as the Service is concerned we are to have the best men for the Indian Government. There is nothing further to be said about it. Take the case of the Civil Service in England. Is there

any distinction made between the Welsh, Scotch, English, Irish, and so on. There are men of all races and denominations. Take the Austrian Government. Does the Home Member mean to say that none of the representatives of the different communities and races there hold very high appointments or are appointed governors or posted to high offices? Did the Austrian Government complain that there was a Magyar or a Slav or a Czech or some one of that sort in its public service? There is that difficulty; but what does it matter? Why then should we have any more difficulty here with Brahmin preponderance or Muhammadan preponderance or Parsi preponderance or any other? The Charter Act is clear on the point; it says 'men of proved merit and ability' shall only be employed in the public service. Then it is laid down that there shall be no 'governing caste' in India. Where is the governing caste? The governing caste is the Civil Service; they are the governing caste, and yet the Brahmin is denounced. I cannot at all, Sir, understand that argument. Therefore, so far as the two principal arguments urged by the Home Member are concerned, they do not, I am sorry to say, hold water at all. Then, look at the other side. There is what you call a list of 'present discontents.' It is not one discontent but there are six, perhaps more; and in this list of present discontents, simultaneous examination holds the first place. And why? Because it is the oldest discontent against which for more than fifty years, from 1860 onwards, the people have been crying and crying. Time after time it has been brought before Parliament and still nothing has been done. And up to this time not a single strong argument has been brought forward against it. All the arguments that have been

brought forward by Government here or by the Secretary of State before Parliament are these specious and fallacious arguments only. That is the position ; and yet after fifty years of education, after universities have been established and thousands after thousands of students have passed through them, after being told that India is rapidly progressing in educational matters and in moral and material condition, you say ' No simultaneous examinations shall be held.' As my friend, Mr. Jinnah, put it well ' why should there be any examination at all in England ? The examination is for service in India : if that is the case what does it matter whether it is held in India and in England alike ? It is the old story of the Saxons and the Normans. I will not use any strong words as to how the Saxons felt when the Normans got appointments and how they chafed under their disabilities. I wish the Home Member and all the other Members of the Service will put themselves in the category of the Saxons and us in the category of Normans and say how they would feel and how they would like to be governed by them. I say to the Civil Service, enter into our skins, into the skins of us, Indians, and find out what the Indian feeling and sentiment is. The answer, as far as India is concerned ' the service is Indian and the examination must be confined to India alone.' Let Australians, Canadians, Irishmen come, let them all come. We welcome them but of course, those who have shown the best merit and ability should alone be employed. But at present these are all the artificial barriers of the bureaucracy and it is for these reasons that simultaneous examinations are opposed by the service. With these words I support the Resolution.

INDIAN RECRUITS IN THE INDIAN CIVIL SERVICE.

The following speech was delivered by the Hon. Sir D. E. Wacha at a meeting of the Imperial Legislative Council held on the 24th September, 1917.

Sir, so far as I understand the present Resolution it is this, that half the number of the members of the future Civil Service should be Indians. The objection urged against it is the maintenance of British character, that is to say, that the Indian administration should have as its chief characteristic British character. Well, Sir, I fully and very frankly admit that the British character of the Indian administration must be maintained. British character has done a great deal of good to India during the last 125 years. I believe, that for the good of India the stamp of British character on the administration should be maintained. I believe that, so far as that future goes, even my Indian friends will not dispute the proposition. It is understood, of course, that the British character should be there. The question then is, why there should be any preponderance? As I, Sir, said in my speech last time, the Charter Act of 1833, only prescribes that in the services of India men

of 'proved merit and ability' alone should of course be requisitioned, irrespective of creed and race; and in subsequent acts up to now, so far as I am aware, there has been no such condition made that there should be a preponderance of the British, as far as the Civil Service is concerned. In order to understand clearly the whole question, we must go back to the genesis of this covenanted Civil Service. Those who have studied the history of the East India Company will easily understand that the covenanted service came more and more into existence with the territorial sovereignty of that Company. The company was a trading company at first. Then it became a territorial sovereign and its territorial sovereignty demanded, of course, a certain amount of administrative ability. That administrative ability in those days was not to be found in India. The administration had to be carried on in English and a knowledge of English was non-existent in India at the time. As they advanced, Indians have, of course, risen to high offices on account of the English education they have received. Universities have been established and so forth. But the genesis is this, that because the East India Company from the days of its sovereignty was obliged to import covenanted servants, or clerks as they were then called, the tradition of predominance has gone forth, and from that time that tradition has remained as many other traditions have remained. But a time came, particularly after the transfer of the East India Company to the Crown, when there was a change. From that time forward a sort of rivalry began, very dim at first. But it became very transparent and acute later on as the competitive Civil Service examination was established in 1855, and Indians began to

compete. Then, of course, with the advance of Indian education on one side and the numerical strength of the Civil Service on the other side, there ensured that rivalry, a rivalry of supremacy, as to whether it was the British service which should preponderate or whether it was the Indian service which should preponderate; and all the friction that has occurred and which continues to prevail is owing to this rivalry for offices on the one side and on the other. Every time this question has been discussed the Government of India have brought forward this expediency of maintaining British character on the administration. But, admitting as I say, that the British character of the administration should be maintained, where is the necessity to have this limit that only 25 per cent. of the appointments should go to Indians and no more? I think, Sir, that the cause of justice and the cause of fair play, both demand that this limit should not exist. If I, personally, were asked I should say have no limit whatever. As Indians advance more and more in administrative capacity and ability, and in strength of character, I think, that the character of the British administration itself should be so amalgamated with that of the Indian character, that, necessarily, the future Government of India must consider that the Indian administration should be Indianised as far as possible, and therefore, the number of Europeans in the Civil Service should, as far as may be practicable, be limited to a very small number. 'Thus far and no further' should be the limits. We have not yet come to that finality, and I am afraid, that finality will not be reached for another quarter or even half a century. In the meantime, of course, the administration must be carried on, but simultaneonsly Indian aspira-

tions now rising should be reasonably satisfied. It is the duty of the Government to see that those aspirations are so satisfied. The question is how may they be satisfied? All this unrest which is going on in the country has its root cause in many things. One of these, one of the most important, is this question of preponderance of the British in the Civil Service. It is but fair that as Indians advance in administrative ability, in strength of character and in other desirable ways the Government of India should see that the administration is more and more Indianised, slowly and steadily. That being my opinion, I consider, Sir, that the proportion of half and half is a very good one to be given, though, as I say, the time must come, must inevitably come, when even this half and half proportion must be increased, and the present figures will have to be reversed, that is, the Indian Civil Servants should consist of 75 per cent. and the British Civil Servants of 25 per cent. That will be the final stage. I am not a prophet, but living among my own countrymen and knowing their spirit of loyalty and appreciation of British administration, I have no doubt that that will eventually be the outcome. But for the present, Sir, I consider the Hon'ble Pandit's Resolution is a very good one, and that the half and half proportion it recommends should be established."

SALARIES AND ANNUITIES IN THE INDIAN CIVIL SERVICE.

[In supporting the Hon. Pandit Madan Mohan Malaviya's Resolution on this subject in the Imperial Council on September 25, 1917, the Hon. Sir D.E. Wacha said :—]

Sir, it is often said that India is a land of anomalies and among the greatest of those anomalies are the economic and financial anomalies. The services which the Indian Civil Service have rendered in the past are no doubt very great. It has been acknowledged so, not to-day, not yesterday, but for the last 40 or 50 years. It has been also said that the Service is the most liberally paid in the whole world. My friend, the Hon'ble Pandit Malaviya, has just made a comparison of the salaries of high officials of State in different countries, especially in Japan. My friend, the Hon'ble Mr. Sastri, pointed out how the different services are paid in Ceylon and the Federated Malay States. All this shows that even taking into consideration the fact of expatriation, which is always trotted out in this connection,—taking everything into consideration,—the Indian Civil Service, and all the other cognate services connected with it, are very highly paid. Not only are

they highly paid; but were the course of the charges of the Civil Departments of the administration for the last 25 years traced and analysed—and any body can refer to the officially recorded figures for himself—it would seem that these charges are continually increasing one way or other. Appointments have been multiplied, technical and others specially. Technical appointments were greatly multiplied during Lord Curzon's time for the sake of what is called efficiency. That is one of the directions in which the charges have gone up high. We have been hammering at all these increased civil charges for years past; I have written brochures on the subject; I have forwarded copies of them to the Government of India. I have pointed out therein that while the revenue is increasing at a slow pace the expenditure is increasing at a higher pace, particularly in the civil administration. Take even the last ten years. You will find from the latest parliamentary return that while the ratios of revenue are rising at a lower percentage, those of expenditure are rising at a higher percentage. I have not, of course, the actual figures before me here and, therefore, I won't commit myself; but I assure this Council that if they analyse those figures they will find that these charges are excessive already, and that they are more than the revenue can afford. That is the case; and there can be no question that an impartial commission—(not a commission of the kind of the Public Services Commission we have had, which was never an impartial one in my opinion, because it was an inspired commission ; vested interests like those of the Civil Servicc were greatly protected, and not only protected but sought to be increased as we actually find from the Majority Report)—I say if an impartial

commission were appointed, composed of men from outside India, men who have, perhaps, had larger experience of administration and the cost of administration of different countries of the world they would find that we can reasonably reduce the expenditure on the Civil Services. Remember, Sir, that this scale of salaries of the Civil Service was fixed years ago, somewhere about three-quarters of a century ago—I think it was in the time of Lord Cornwallis or Lord Bentinck; and at that time the great reason assigned for such large salaries of the covenanted servants, was the expatriation. At that time there was no Suez Canal: there were very few steam navigation companies; besides, there were many other difficulties and inconveniences. Civilians were separated from their homes and families and frequent furloughs were not possible. Taking those conditions into consideration the salaries were fixed at a high rate. Consider, Sir, what has happened now. 75 years have passed since the fixing of the rates. The Suez Canal has been in operation for the last 47 years. Navigation companies by hundreds have been started here, there and everywhere. Any Civilian can go to-day within a fortnight to his home and return within three months, as many Civilians and Judges of the High Court are actually doing every year, while drawing their full salary to which they are entitled on account of the privilege leave. That being so, and many other social amenities, which were very hard to obtain in the days of Lord Cornwallis and Lord Bentinck, being available now, Civilians in Madras or Bombay or Calcutta or any other Province can at any time they like be in the midst of their homes. Yet, in spite of all these most favourable conditions, they continue to get the old rate of salaries

and different kinds of allowances, which Mr. Sastri related in his speech. But it is of no use, crying wolf, for this is an old antiquated story of high civilian salaries and other charges of civil administration. We are helpless in the matter. We are helpless even to-day, notwithstanding our reformed council. I doubt, whether this proposition will be carried, but even if it were carried I do not know whether the Government of India will give effect to it. There will be score of reasons assigned to decline it. We all understand that these are old stories; and that there is nothing new in them. But times have changed and I do hope, that the Government will take a very considered and reasonable view of matters, particularly having regard to the fact to which my friend, Mr. Sastri, referred, namely, the comparatively poor ability of Indian tax-payers. What is that ability? Compare it with the ability of almost all other civilised countries in the world, and we shall find it most deplorable. It is a cypher, a zero, compared with the wealth of countries like France, England, United States, Austria, and even Turkey I should say. That being the case, it should be always a consideration for the Government of India, if they are governed by statesmanship, that the ability of the tax-payers should be their first care in reference to the question of the salaries of Civilians.

For my part I consider that old times have changed, and the time is come when the salaries should be revised with reference to the market rate prevailing all over the world. The market rate may be high or low; but fix the salaries at the market rate Further, I would say there should be no agreements and no covenants. These covenants are most burden-

some: they bring in their train costly furlough allowances, pensions, and a lot of other charges, I say all these must be abolished. Civilian gentlemen, members of the government, of course sit down for five years and pass Resolutions after Resolutions that posts of this or that character shall carry consolidated salaries of so much or so much. But they have no such consolidation for themselves. The governing principle seems to be that those that have much shall be given more and those that have less shall be deprived of whatever little they have. This is what they are doing now, particularly so far as the masses of poorer servants are concerned. I consider, Sir, therefore, that a revised rate of consolidated salaries should take the place of the existing salaries and allowances on the basis of the market rate whether the supply comes from England, or Wales, or from Australia or Canada or South Africa or even from Japan, I do not care. India wants efficient but less costly service from any place in the world. But we need not go to any place in the world at all; India itself has abilities enough to work on salaries lower than those prevailing at present. The next thing is that each post must be assigned its proper adequate market salary. I do not know whether members of the Government of India who are now drawing Rs. 6,000 per month or Rs. 5,000 really deserve that salarly? Suppose we advertise for a Home Member of the Government or for a Finance Member, cannot we get one for a less sum than Rs. 6,000? I submit, Sir, that I can get you from America a good financier or administrator for Rs. 3,500 or 4,000. I am talking frankly on this subject. The Civil Service has its traditions, and those traditions are, that they must be bequeathed from

generation to generation. There is nothing new that from time to time these traditions are trotted out. It has gone on for the last 75 years. These Civilian interests have become vested; and whenever vested interests are attacked, the reply is 'This is impossible, and that is impossible; you cannot do this and you cannot do that; the war is with us and we must not discuss this, that and the other.' They are all mere plausible pretexts to say *non-possumus*. I am sorry to have to say all this, but speak we must frankly and express our honest convictions on the subject. If we are to express the feelings and sentiments of the Indian people generally, then, I do say that the Indian Civil Service ought to be abolished, and that a new Service in its place should be created; and you can get a new Service from any part of the world, if not from India alone, and that on lower salaries. That reconstructed service will solve largely the question of economic employment, and at the same time save to the State a larger amount of revenue for purposes, as Pandit Malaviya said, of education, sanitation, and a hundred other utilities for which we are famishing. For these reasons, Sir, I think the time has come when the Government of India should take into consideration this particular Resolution of my friend, Mr. Sastri. It is a very good resolution. If it is impartially considered, I think that the Government of India ought to pay no heed to the recommendation made by the Public Services Commission, that about a crore of rupees at this juncture should be added to the burdens of the tax-payers. With these remarks, Sir, I take my seat.

EVIDENCE-IN-CHIEF OF MR. DINSHA EDULJI WACHA.

BEFORE

The Welby Commission, April 5th and 8th, 1897.

Representative of the Bombay Presidency Association.

I represent the Bombay Presidency Association, of which I am one of the Honorary Secretaries, since the date of its establishment in 1885, say twelve years. The Association is established for the advocacy and promotion of the public interests of India by all legitimate and constitutional methods, for the due fulfilment of which Rule 2 prescribes that it "shall, whenever necessary or expedient, hold meetings which may be made open to the public for the discussion of public affairs, prepare and submit memorials or petitions to the Provincial or Imperial Government, or the British Parliament in England, or other authorities for the removal and prevention of injurious measures, and the introduction of others which may be calculated to promote the general interests of this country, and otherwise to take such action as may be considered conducive to the accomplishments of the purposes in view."

I am, besides being the Honorary Secretary of the Bombay Presidency Association, Honorary Joint General Secretary of the Indian National Congresss, and a Member of the Bombay Municipal Corporation. I am also the Managing Agent of a large and flourishing cotton mill, and a Member of the Managing Committee of the Bombay Mill Owner's Association. For many years past I have employed my leisure hours in the study and discussion of public affairs, specially on finance and economic subjects, and have regularly contributed to the local press many articles on these subjects. I have also taken, and am still taking, an active part in the many public movements in the city. At the Annual Sittings of the Indian National Congress I have made speeches on military expenditure from time to time, as well as on such topics as cotton duties, income-tax, exchange compensation and so forth. Similarly I have taken active part as Secretary of the Bombay Provincial Conference, which annually meets in some prominent towns of the Presidency, and have addressed delegates at such on the expanded

legislative councils, on the way in which provincial budgets are discussed thereat, and on other matters, including the revenue from the drink traffic. On the latter question, to which I have devoted close attention, I wrote a series of articles in the *Bombay Gazette*, which I afterwards reprinted in pamphlet form, copies of which were forwarded to the Bombay Government, the Government of India, and the Secretary of State. In my honorary capacity as the Secretary of the Bombay branch of the Anglo-Indian Temperance Association, I memorialised the Government, pointing out the evils of their excise system, and criticised, as Secretary of the Presidency Association, the Moura Bill, which the entire Presidency condemned. I also issued a pamphlet on the burning question of agricultural distress, and the impoverished condition of the Indian peasantry, chiefly basing my criticism on the official facts embodied in the report of the condition of the people which was published on the eve of Lord Dufferin's departure. I have taken a leading part at meetings of the Bombay Mill-owners, and have spoken on questions affecting cotton industry. Last year I contributed to the *Times of India* a series of letters on the growth of revenue and expenditure of the Bombay Municipality, and I have been continually contributing articles to the Press on Imperial and Provincial finance. I was elected President of the Provincial Conference held at Belgaum in 1895, where I broadly surveyed in my inaugural address the financial condition of India. At the last sittings of the Indian National Congress, held in December, 1896, the following resolution was passed :—

"That this Congress desires to place on record its sense of satisfaction at the delegation by the Bombay Presidency Association of Mr. Dinsha Edulji Wacha, Joint General Secretary of the Congress, to give evidence before the Royal Commission on Expenditure, and the Congress has full confidence that Mr. Wacha will give accurate and adequate expression to its views on the questions which form the subject of enquiry."

Following the procedure adopted by the Commission, I have divided my evidence into three parts.

I. FINANCIAL MACHINERY : VERY IMPERFECT.

It is, no doubt, highly essential for the economic administration of the Empire that its finances should be closely looked into and steadily watched, especially in India, where the people have no direct voice in checking or controlling it ; and where, besides, they are governed by a foreign agency which, more or less, is not in touch with popular sentiments and popular wants and requirements. Again, bearing in mind that the people are poor on the whole, the progress of enhanced and new taxation needs serious consideration, as such taxation can only be compatible with their

ability. As a matter of fact, for years past, at any rate since 1875, expenditure is growing at a rapid pace, and demands the strictest control and check. The Finance Minister may endeavour to do his best, but so long as the financial machinery is imperfect, and whenever he remains with insufficient support from the Viceroy and other colleagues in the Viceregal Council, he cannot do much. He may endeavour to discharge his duty very much like "a sort of watch dog on behalf of the taxpayers" (that is an expression of your Lordship), but so long as the voice of the taxpayers themselves is not heard for good in the Council, it is not possible to keep that right control which checks all extravagant or doubtful expenditure. At present a certain line of policy may be followed by a Viceroy or the Secretary of State which may entail on the taxpayers heavy permanent burdens. For instance, the so-called "forward" policy steadily pursued since the days of the unrighteous second Afghan war (save during the beneficent administration of Lord Ripon) has been principally the cause of heavy military expenditure necessitating taxation. The expenditure since the date of the Penjdeh scare has been mounting higher and higher. Upper Burmah was annexed to the Indian Empire, notwithstanding the fact that the Indian community generally protested against such annexation to India, and suggested its being made a Crown Colony like Ceylon. The First Indian National Congress, held in Bombay in December, 1885, protested against the annexation.

INDIAN PUBLIC HAVE ABSOLUTELY NO POWER TO CHECK AND CONTROL THE FINANCES.

I agree generally with what Sir David Barbour and Sir Auckland Colvin have said regarding the weak spots in the financial machinery of the Government, and we Indians are thankful for their expression of opinion. (Q. 1854 to 1890, and 2879 to 2894.) But what I beg to urge is this, that however economic in his tendencies a Finance Minister may be, or even a Viceroy, so long as those who pay the taxes have no effective voice in the Councils of the Empire, the control of expenditure within due limits, and with a regard to the capacity of the taxpayers, no financial retrenchment can be hoped for. For example, Indian public opinion believes that the present Finance Minister, Sir J. Westland, has not shown so much zeal in checking expenditure as his three immediate predecessors.

It is true that under the expanded Legislative Councils, both Provincial and Imperial, there are a few non-official members who are indirectly elected as the representatives of the people. Their presence in the Council is most valuable. They are mostly leading public men who have devoted much attention to financial matters, and are in a position to represent the

taxpayers' point of view; but after all their criticism cannot be considered effective so long as they are debarred from bringing motions for the curtailment of expenditure in a Budget and dividing the Council thereon. There is a consensus of opinion on the subject among Indians that this privilege should be conceded, and is absolutely needed. The Congress has more than once passed resolutions on the matter; but, unfortunately, like many other resolutions of the Congress, which are regularly forwarded for consideration to the Imperial Government, they are unheeded.

LEGISLATIVE COUNCILS SHOULD BE EMPOWERED TO DISCUSS THE BUDGET AND PRESS DIVISION.

What practical good such a privilege, if conceded to the popular representatives of the various legislative Councils, may do, may be judged from the exceedingly able way in which the Honourable Mr. P. M. Mehta, President, Bombay Presidency Association, acquitted himself in the Viceregal Legislative Council two years ago. All India to a man was gratified at the criticism he brought to bear upon the finances, and the way in which he denounced the iniquitous exchange compensation allowance. But of course, such criticism is distasteful to the official members, and when there is a Finance Minister like the present one he resents it as he resented Mr. P. M. Mehta's speech. It is felt that if leading Corporations at Bombay, Calcutta and Madras, and the various local and district boards, are allowed to discuss and vote their respective Budgets, there could be no reason for withholding the same privilege, which is still more needed, at Budgets in the Imperial and Provincial legislative Councils. The Bombay Municipal Corporation has been more than once praised by the Government of India and the Secretary of State for its successful management of the civic finance. I, myself, as one of the representatives of the ratepayers, have brought forward motions from time to time for reduction of unnecessary expenditure or expenditure of doubtful utility. And on the whole the effect of such division has been of a wholesome character, and calculated to keep a good check and control over the spending departments.

WANTED : A PARLIAMENTARY SELECT COMMITTEE ON INDIAN BUDGET.

It has, however, been alleged that such concession might sometimes defeat Government, which is not desirable. This allegation carries its own refutation. For, as a matter of fact, under the standing rules the Government has always an official majority, and if such a thing happens as the defeat of Government it shows that there must be an overwhelming case made out by the non-official members to lead to such a division. My suggestion

therefore, under this head of financial machinery, is, that the rules should be so altered as to allow members to bring motions at Budget-time and divide the Council thereon. We strongly advocate the proposal of Sir W. Wedderburn for the appointment each year of a Select Committee on East India accounts to report to the House of Commons regarding the financial position of India. Such a Select Committee would find in the amendment voted in the Legislative Councils valuable material for consideration. The non-official members of Legislative Councils would then be stimulated to careful criticism on Indian finance.

CIVIL AND MILITARY ESTIMATES SHOULD BE SUPPLIED TO MEMBERS OF THE SUPREME LEGISLATIVE COUNCIL.

It is also very desirable in connection with the Budget in the Viceregal Council that its members, as well as a few outside public bodies like Chambers of Commerce and recognised Associations, should be supplied with copies of the Civil and Military estimates, which contain details of the revenue and expenditure of each province, before the Budget is brought forward. At present they are not accessible to the members or to such bodies. The Civil Estimates are made available only a year after the Budget to which they refer has passed by, when all practical interest in them has died out. The Military Estimates, so far as my knowledge goes, are never made available. This is a great drawback. The public criticise the Budget in darkness. A great deal of ill-informed or ignorant criticism would be avoided, while bodies like my Association would be in a better position to make suggestions or offer criticism if such copies were previously supplied. I may say that the Bombay Legislative Council does furnish such a detailed statement to members of its local Council, which greatly helps them to debate the Budget.

FINANCIAL ESTIMATES NOT CAREFULLY PREPARED.

A word or two may also be said under this head on minor matters in connection with the Annual Financial Statement. First, the revised estimates invariably exceed the Budget estimates, and the Accounts are generally better than the revised estimates. From the table I have prepared of Budget estimates, revised estimates and accounts for the last ten years, and which I beg to put in as appendix to my evidence, this will be clearly seen. It would seem to show that apart from Budget estimates even revised estimates are not yet so carefully prepared as they should be. Bearing in mind that these estimates are made a month or so before the accounts for a financial year are closed, I am of opinion that there should be no such striking variations between them and the actuals as are revealed in the table.

SUGGESTIONS FOR AN EXCHANGE EQUALISATION ACCOUNT.

Secondly, as to exchange. This item can only be considered as an ordinary one, like any other item of expenditure. But much is made of its fluctuating character. It is regarded—as Sir A. Colvin observed, in his contribution to the "Nineteenth Century" for October, 1894, on "Indian State Expenditure"—in the light of the lodging-house cat. "All surplus that disappears, every estimate which is reduced to fragments, is due to this mischievous beast. No limits are assigned to its appetite, yet no provision is made for its voracity." My suggestion is that under present circumstances, at any rate till the time again arrives for a stable exchange, it would be better to take exchange at a fixed rate from year to year, say at 14 or 14½ pence per rupee in the Budget estimate. Should, at the end of the year, it be found that the actual amount incurred under this head is less than the estimate, the difference to be credited to an account to be called "Exchange Equalisation or Reserve." In case at any other time the amount incurred is in excess of the estimate, the difference should be taken from this Reserve account. By adopting such a course a certain stability will be imparted to the finances, while it will prevent the Finance Minister from attributing this, that and the other increase to this *deus ex machina* of exchange.

EVIL PRACTICE OF HASTILY DISPOSING OF SURPLUS.

Again, the present practice of at once disposing of the so-called "improvement" in exchange should be put a stop to. As Indian finances go there is a desire to utilise rather prematurely so-called "surplus," owing to better exchange, though it may happen the very next year that exchange may be worse, leading either to economies here and there, or encroachments on provincial balances, or fresh taxation. This cannot be considered sound finance. At any rate, knowing as we do the chronic embarrassments of the Indian treasury, financial statesmanship would suggest not to be too hasty in disposing of such a sort of surplus. It is more in the nature of a fortuitous windfall, and should not be depended upon. Take the latest instance. In the financial statement for 1896-97 there was a surplus, chiefly owing to better exchange. Straightway half-a-crore was gifted away to Manchester by reducing the import duty on cotton goods from 5 to 3½ per cent., on the hollow plea of protection, though the Chambers of Commerce, recognised associations, including the Presidency Association and the Bombay Mill-owners, all protested against the plea put forward. It was felt as a sop to Manchester in loyal obedience to the "mandate" from the Secretary of State. Another half-a-crore was at once voted for mobilisation, though large sums in previous years had been expended on this object, despite our being told that it was not a recurring

expenditure. But no sooner was the crore thus disposed of than famine overtook the land, necessitating a large expenditure. Had the crore not been so hastily voted away for objects hardly approved by the Indian public, it would have been available to partially diminish the deficit which is now announced in the revised estimates for 1896-97.]

SETTLEMENT OF PROVINCIAL CONTRACTS ON WELL DEFINED LINES.

Under this head the Provincial Conference held at Karachi last year, the Bengal Conference, and the Congress at Calcutta, all passed resolutions demanding a more equitable mode of fixing the quinquennial allotments. In substance all these resolutions stated that the time had arrived when a further step should be taken in the matter of decentralisation by leaving the responsibility of the financial administration of the different provinces principally to the Local Governments, the Supreme Government receiving from each local government only a fixed contribution levied in accordance with some definite equitable principle, which should not be liable to any disturbance during the currency of the period of contract except in "dire emergencies," as contemplated by Lord Ripon's Resolution, so as to secure local governments that fiscal certainty and that advantage arising from the enhancement of the revenues which are so essential to all real progress in the development of the resources and in the satisfactory administration of the different provinces. It would be well that in each case the Government of India should record a declaration showing the dire necessity which has made it necessary to infringe the original contracts with the provincial Governments. And the contributions taken from the different provinces should be taken on the basis of the original contracts. It is thought that at present, not only the Imperial Government takes a larger portion of the provincial revenue at the renewal of each contract, but makes further demand on the Provincial Governments when it has to meet a very large expenditure. This policy hardly engenders an economic spirit in the Government of India. It checks provincial expenditure, but there is none to check its own. It is the old story of who will keep in custody the custodian. It is, therefore, suggested that the Provincial Governments should respectively contribute to the State treasury a certain fixed percentage of their revenue, and reserve the rest for their own expenditure. If 40 per cent. is so reserved, it would not only impart uniformity, but remove the present complaint of unequal contribution. The older and richer provinces are made to pay partially for the expenses of the newer and poorer. The advantages claimed under the system proposed by the Congress and the Conferences are these :—

(1) That each province will be in a position to work out its own financial salvation exactly in the way in which a kingdom self-contained and self-managed does.

(2) That it will enable each province to develop its material resources with the revenue it may make available on objects of utility.

(3) That it will be unfettered by any obstruction from the Imperial Government.

(4) That the Imperial Government would only obtain as much as would suffice for its reasonable requirements, and not for expenditure on objects of doubtful utility or on profitless border expenditure and so forth, including so-called strategic railways and military works.

(5) That thus the Imperial Government would be compelled to cut its coat according to its cloth and exercise the strictest economy in Imperial expenditure. A sort of automatic check will be exercised. These checks would operate usefully as a financial control over the expenditure of the Government of India.

II.—PROGRESS OF EXPENDITURE—REASONS FOR TAKING 1884-5 AS A STANDARD YEAR.

For purposes of comparison I have taken 1884-85 as the standard year for two reasons. First, my Association, in its memorial to the Indian Government, in March, 1894, complained of the excessive growth of civil and military expenditure during the years following 1884-85, and pointed out that the increased expenditure was principally to be attributed to that expenditure, and not to the increasing expenditure on exchange, which was only a subordinate factor. Secondly, because in 1884-85 revenue and expenditure, nearly balanced each other after the many vicissitudes to which Indian finance was subject by famine and the second Afghan War, and after the laudable remission of taxation to the extent of nearly three crores of rupees during the administration of Lord Ripon with Sir Evelyn Baring (now Lord Cromer) as the Finance Minister.

I may also observe, that, in comparing the growth of expenditure from 1885-86 to 1894-95, I have taken the average increase of the decade, as being more accurate and satisfactory. For instance take one item of expenditure, say the net charge on the Debt Services. These amounted in 1884-85 to Rs. 3,907,848; in the year 1894-95 it was Rs. 4,308,955. Apparently, the difference in the amount between the two years would show an *increase* of Rs. 401,107. If, however, the average of the annual growth of the ten years was taken, it would be found that the charge was Rs. 3,728, 949, or a *decrease* of Rx. 178,999 over 1884-85.

According to the Parliamentary Return of Income and Expenditure, dated 27th March, 1896, the net expenditure for the ten years ending with 1894-95 amounted to Rs. 545,854,292, while the net revenue was Rs. 546,319,618, showing a net surplus during

the decade of Rx. 463,326. It meant that the expenditure just balanced the revenue and left an insignificant surplus of half-a-million tens of rupees. It should, however, be remembered that enhanced taxation on salt, and the imposition of the income tax, and that of the import duty on certain classes of merchandise in 1894-95, yielded Rs. 23,996,829. But for this amount there might have been a deficit of Rs. 23,531,503, or say 2.35 million Rx. per annum. But even this is not the full measure of the deterioration of the finances during the decade under review. The Famine Insurance Grant was now and again partially suspended—in all, amounting to Rs. 4,530,114, while the provincial balances were encroached upon to the extent of Rs. 890,000. When these additional items are taken into consideration, it would be found that the deterioration or deficit amounted to Rs. 29,406,943, minus Rs. 465,326.

FINANCIAL DETERIORATION OWING TO EXCESSIVE CIVIL AND MILITARY EXPENDITURE.

I attribute this deterioration in the finances, which necessitated additional and enhanced taxation, to the enormous growth of military expenditure in the first instance, and, secondly, to a considerable increase in the civil expenditure. But the main disturbing factor was military expenditure; but for the growth of which the revenue could have fairly borne the increasing burden of exchange without any of the taxation imposed.

Thus:

		Rx.
Net Expenditure in ten years		545,854,292
Deduct increased net Army Charges over 1884-85, exclusive of exchange		37,494,770
		508,359,522
Net Revenue in ten years was Rx.	546,319,618	
Deduct New Taxation, Famine Grant suspended, and Provincial Balances...	29,406,943	
		516,912,675
Net Surplus		8,553,153

The increase of Military Expenditure was mainly owing to the addition of 10,000 European and 20,000 Native Troops in 1885. On this subject a resolution was passed at the First Indian National Congress (1885) as follows: "That in the opinion of the Congress the proposed increased Military Expenditure of the Empire is unnecessary, and regard being had to the Revenues of

the Empire and the existing circumstances of the country, excessive." I seconded this resolution, and gave my reasons in support of it.

On the same subject, namely, this increase of Troops, the Bombay Presidency Association forwarded on January 27th, 1886, a Memorial, prepared by me, to Lord Randolph Churchill, the then Secretary of State, protesting against its necessity. It pointed out that, bearing in mind the Report of the Simla Army Commission, that for all purposes of internal defence and repelling external aggression on the Frontiers, the then existing strength of the Troops was sufficient, the Association failed to understand the reasons for argumenting it, when seventeen millions were being already spent per annum as the Army was then constituted; that successive Viceroys and Finance Ministers had deplored from time to time the growth of the expenditure, and emphasised the necessity of curtailing it: that the Government of India itself, in its despatch of November 21st, 1884, pointed out how the growth occured; that of the net average growth of Rx. 670,000 per annum in the ordinary revenue during the decade ending 1883-84, the army charges alone absorbed Rx. 144,000: (during the same decade the growth of the net land revenue was Rx. 400,332 or say Rx. 40,000 per annum—so that the increased Military Expenditure absorbed in one year the net increase in land revenue of three years and a-half); that the Indian Exchequer had no reserve to fall back upon; that there was no true surplus to speak of while the periodic calamities of famine, let alone other unforeseen contingencies, had generally to be met with borrowed monies which only swells the permanent interest on the Revenue; that, reviewing in 1879 the finances of India for the seven preceding years, Sir John Strachey, a former Finance Minister, observed that "India had no true surplus of revenue over expenditure to cover the many contingencies to which a great country is exposed"; that such being the ordinary condition, the Association would leave to the Secretary of State to consider how the finances could bear the severe strain that was then about to be put upon them to the extent of two millions sterling per annum; that, in its despatch of February 8th, 1878, the Imperial Government observed that "placed as it was under the serious responsibility of so administering the affairs of the greatest dependency of the British supremacy, that while British supremacy is strictly guarded, the means of securing that end shall not unduly weigh on the people of this country, it was constrained to represent to Her Majesty's Government that the burden thrown upon India on account of the British troops is excessive and beyond what an impartial judge would assign in considering the relative material wealth of the two countries and the mutual obligations that subsist between them—all that we can do is to appeal to the British Government for an impartial view of the relative financial capacity of the two countries to bear the

charges that arise from the maintenance of the army of Great Britain and for a generous consideration of the share to be assigned by the wealthiest nation in the world to a dependency so comparatively poor and so little advanced as India—owing to the poverty of the people and their consequent inability to bear taxation, it was unable to supply the funds required for the most necessary and desirable objects"; that the Secretary of State will on a reconsideration of the whole question in all its bearings, political and financial, be pleased to recall the instructions issued on the subject and at the same time take such measures for the curtailment of the over-grown Military Expenditure as to bring about a sounder and healthier state of Indian finance generally; that should Her Majesty's Government adhere to their resolution to carry out the proposed increase in the Army, the Association submitted that the expenditure thereon should be met from retrenchment, for which there was great scope, and not from increased taxation, and that the Imperial Government of England be asked to share the greater portion of the burden: and, lastly, that a stringent system of check and control be established so that encroachments on the revenues of India may be effectually prevented. I beg to put in this Memorial.

These were the views expressed eleven year ago on Military Expenditure by the Association, which the course of events has now greatly emphasised. For beyond the expenditure on the increased troops there has been a very large expenditure on strategic railways, on arms and ammunition, on mobilisation, on a variety of border expeditions beyond the statutory frontier of India, special defences, military roads, and the occupation of Upper Burmah. The Association, therefore, is of opinion that it is the increased Military Expenditure which is primarily responsible for the embarrassed condition of Indian finance during the period under review. I beg to put in a copy of the Memorial.

MEMORANDUM ON RETRENCHMENT OF EXPENDITURE.

I may observe that in response to the invitation issued to leading public bodies by the Finance Committee appointed by the Government of India, the Bombay Presidency Association forwarded on 27th August, 1886, a Memorandum on the retrenchment of expenditure as prepared by me. That Memorandum, which I beg to put in, reiterated in brief its protest against the burden of two millions sterling on the additional troops, as well as the outlay on frontier railways and other military works, and observed that those were all elements of danger to the stability of Indian Finance; that loss by exchange was liable to swell with further fall in the value of silver measured by gold: that while it disturbed the Indian Exchequer, it was within the power of the Government to mitigate to some extent the evils arising from it,

provided the causes which created the heavier burden were fairly faced, namely, the home charges; that these would grow in future with the increased Military Expenditure and with the increase of sterling debt and of salaries and pensions which had to be paid in gold; that a material reduction under exchange could only be looked for when there was a corresponding material reduction in those charges; that it was essential for the Indian Government to urge strongly on the Secretary of State the desirability of devising some scheme to commute in silver the liabilities that had to be met by gold payments; that, if possible, the guaranteed interest on railways should be reduced by opening negotiations with those Companies as suggested in 1882 by Sir John Strachey and General Strachey at pages eighty and eighty-three of the "Finance and Public Works of India"; that at the same time it was expedient to contract payment in silver only, so far as it may be possible, of all liabilities and obligations which the Government may have to incur hereafter, as well as salaries, pensions, and gratuities of every kind and nature; that, beyond, the charges which entail loss by exchange, which in all fairness should be borne by the British Treasury, such as the Aden Residency, the Persian and Chinese Embassies, and other minor political establishments, should also be paid by England, as well as rents, taxes and charges on buildings in London constructed at India's expense, besides other miscellaneous charges too numerous to mention; that the burden of the cost of the European agency was very heavy, as detailed in the table appended to the Memorandum; that a very large saving might be effected by the more extensive employment of Natives in posts which are now filled by highly-paid Europeans; that the annual migration of the Supreme Government to Simla was injurious financially and by reason of the length of the period over which it extended (the cost being according to a Parliamentary return, August 26th, 1886, 7 lakhs; but it is generally believed it is actually considerably more); that the cost of collection of land revenue was growing larger; so, too, the customs and salt establishment; that the cost of superior establishment in the P. W. Departments and the costs of General Administration, too, had grown since 1870-1; that expenditure in the Bombay Presidency under various heads was large and susceptible of reduction; that it was imperative expenditure should be adjusted to income rather than income to expenditure; that the interests of India in expenditure were not sufficiently protected under the constitution of the Council of India in England, and there was much better protection in the time of the E. I. Company; that there was no sufficient barrier against official pressure in the direction of lavish expenditure; that it was the faulty system of Administration that was at the root of the financial embarrassment, and that therefore fundamental changes should be made in that system, especially in the gradual substitution, on a large scale, of Native for European Agency, without which it would be vain to indulge in the hope that any permanent

relief could be afforded to the Indian Treasury. I beg to put in a copy of this Memorial.

It would be noticed from the above that the Association had eleven years ago, fully gone into the question of the large growth of Expenditure, reviewed all the causes which led to it, and suggested economies and reduction. Though the Finance Committee eventually recommended savings in expenditure amounting to a little over half-a-crore, and although a portion of that saving was effected at the time, the subsequent increase in expenditure has more than swallowed up the savings, and civil expenditure since has grown considerably along with the military. Therefore the condition of Indian Finance now is much worse than it was in 1886.

HEADS OF EXPENDITURE CRITICISED.

Coming now to the heads of Expenditure, I may remark as regards the public debt that the Rupee borrowings have increased elven millions Rs., while the sterling debt has arisen from £69,271,088 in 1884-85, to £114,005,826 in 1894-95, or nearly 70 per cent. It should be borne in mind that every increase in sterling debt adds correspondingly to the annual interest charge. Sterling loans for public works of an unproductive character, such as Military Railways are most objectionable. The Committee on the Home Charges has well put it (Parliamentary Return, July 13th, 1893) " That the greatest caution should be exercised in borrowing in England for Public Works in India, especially as long as the rate of exchange is so variable as practically to make of little value all calculations as to the charge for interest. The conclusion is supported by another important consideration. The political inexpediency of adding to the charges to be met from the revenues of India by payments made in this country is very obvious : and in view of the feeling in India on this subject, no increase of such charges should, in our opinion, be increased unless it be practically unavoidable."

It may be as well to examine the growth under the several principal heads up to 1893-94, as I have not before me the new volume of Finance and Revenue Accounts up to 1894-95, just issued. I am aware of the explanations given as to the increases. The Military Department must justify them. But having regard to the expression of opinion given by Sir H. Brackenbury, that expenditure exclusive of exchange has not much increased in India since 1885-86, I beg to submit the following table, which shows the average annual growth of the expenditure from 1886-87, to 1894-95 under the head of effective services in India and England exclusive of exchange, compared with 1885-86.

		In India.	In England,
		Rx.	Rx.
1.	Army and Garrison Staff ...	18,869	...
2.	Administrative Staff ...	9.102	...
3.	Regimental Pay, &c. ...	784,320	347,158
4.	Commissariat, &c. ...	1,268,592	120,630
5.	Remount	22,908	3,013
6.	Clothing, &c. ...	110,383	—71,585
7.	Barracks ...	37,032	...
8.	Administration of Martial Law ...	11,530	...
9.	Medical ...	80,300	—7,202
10.	Ordnance ...	62,892	38,693
11.	Ecclesiastical ...	846	...
12.	Education ...	3,883	...
13.	Transport ...	15,972	—72,286
14.	Miscellaneous ...	—2,582,956	3,780
15.	Volunteer Corps ...	37,455	...
		—118,872	362,201

ARMY AND GARRISON STAFF.—Taken year by year since 1885—6 it has shown a steady increase.

REGIMENTAL PAY has risen from 6,841,956 Rs. to 7,877,608 in 1893—4. In England, too, the amount (exclusive of exchange) has gone up from 959,428 Rs. to 1,070,454 Rs.

COMMISSARIAT shows a fluctuation. In 1886—7, after the additional troops were provided, which led to the charges of 3,054, 189 Rs. in India and 35,970 Rs. in England, there was a decline in India up to 1889—90, when the charges fell to Rs. 2,578,501 Since that year they were as under: 1890—1 Rs. 2,633,637: 1891—2 Rs. 3,307,657 ; 1892—3 Rs. 3,251,886 ; 1893—4 Rs. 2,959,904.

CLOTHING exhibited the same general tendency of regular increase from year to year. In 1886—7 the cost came to 69,546 Rs. in India, till in 1889—90 it rose to 119,992 Rs. In the following year it jumped to 168,113 Rs., till in 1892—3 it stood at 171,187 Rs., with a slight fall in 1893—4. *Per contra* there has been a diminution in England, while the decrease there in eight years, compared with 1885—6 is 71,525 Rs., the increase in India during the same period was 110,383 Rs. So that on the whole there was an increase.

ADMINISTRATION OF MARTIAL LAW shows a steady increase.

MEDICAL has risen from 6,075,040 Rs. in India to 6,805,990 in 1893—4, but has fluctuated in England from 216,390 Rs. to 331,470 Rx.

ORDNANCE exhibits a large growth both in India and England despite the fact that, according to Col. Wace, the factories for arms and ammunitions in Bombay and Bengal are turning out larger stores than before. It seems that the savings obtained in local manufactures are more than absorbed by additional cost for increased ordnance of all kinds.

MISCELLANEOUS SERVICES.—This is a most extraordinary charge, for the reason that the Annual Revenue and Finance Account give no particulars, while under all other heads particulars, of small items of tens and hundreds are given. Here a lump sum is put down from year to year, averaging about half-a-million tens of Rupees. That such a large sum should be spent for which no detailed figures could be obtained is much to be regretted from the public point of view. Only particulars of submarine mining charges, which are very small, are given. For instance, in 1884—5, the gross charges amounted to 620,706 Rs., while the accounts for that year give submarine mining charges at 5,595 Rs., and the remainder, 615,513 Rs., are put down as "Miscellaneous Services."

VOLUNTEERS.—The charges under this head show a steady increase. They have risen from 84,642 Rs. to 177,446 Rs. As Indians are not accepted as volunteers, it appears that European volunteers are maintained mainly for the purposes of British supremacy. The charge, in great part, therefore, should be borne by the British Treasury.

MILITARY WORKS AND SPECIAL DEFENCES.—The point to be noted under these heads, apart from their doubtful utility, is this; that the cost of these works, which are supposed to last for more than a generation, is all charged to revenue. Thus the present generation of taxpayers bear the burden when both sound finance and equity demand that it should spread over at least twenty-five or thirty years. I agree with Sir H. Brackenbury in the observations made in reply to question (14,742) that India is the only country which has carried out such works without a loan, every Continental Nation has got an extraordinary budget for Military Works, and at present even in England there are Bills before Parliament for borrowing money to carry such works.

It will be seen from all that has been said in the foregoing evidence that military expenditure is most burdensome. It was said (A. 5210) that "the army must be made an efficient weapon." But the efficient weapon may cost over much and far beyond

the financial ability of those who provide the funds for it. The Simla Army Commission was more alive to the increased army charges from the taxpayers' point of view, when in its Report (see p. 11) it observed that there was some truth in the statements that hitherto "army reform in India has been dealt with on the principle that India was made for the army and not the army for India." There is no doubt that effectiveness of the army for purposes of external defence depends greatly upon the friendly attitude of the masses of the people towards Government. Every measure, therefore, tending to conciliate the people, and to make them contented, may be regarded as expenditure tending to increase the efficiency of the army.

COST OF A SOLDIER PER ANNUM.

Lastly, I beg to submit the following table of the cost of a soldier per annum in the armies of the great powers of Europe and Japan, from which it will be noticed that the cost of a British soldier in India, which is given at 891 Rs. (*vide* Parliamentary Return, January 14th, 1894) but which I think comes considerably over that figure, compares unfavourably with the cost of a soldier of the Continental armies :—

	Strength of Army.	Cost.	Cost per head in Rupees.
1. Austria	334,717	140,179,699 Florins	528
2. France	559,524	591,457,151 Francs	668
3. Germany	585,574	541,507,000 Marks	720
4. Russia	868,672	284,379,994 Roubles	800
5. Japan	98,961	24.116,811 Yens	648

NOTE.—The figures are taken from the Statesman's Year Book of Facts for 1897 :—A Florin = 20d. A Franc = 9½d. A Mark = 11¾d. 6.40 Roubles = £1. A Yen = 3s. 4d. The pound sterling is taken at an equivalent of 16 Rs.

LOW EXCHANGE ONLY A SUBORDINATE FACTOR OF PUBLIC EXPENDITURE.

I may at this stage mention that on March 12th, 1894, my Association made another representation to the Government of India on the occasion of the imposition of the import duty on merchandise, in which was reviewed the entire growth of military and civil expenditure to 1893, as well as of exchange. It was shown that though exchange was a disturbing element in Indian finance it was not the principal one—the fountain sources of the

embarrassment would be found in military expenditure in all its ramifications, as well as in the large growth of Civil salaries and establishments, Upper Burmah, and the unjust, because indiscriminate compensation allowed to the Services; that the Association had uniformly raised its voice against the growing expenditure on all these accounts; that first the income tax was imposed, then the duty on salt was enhanced, and eventually the import duty was levied; that under the circumstances the Association begged leave to support its statement regarding the increases by means of a series of tables of official figures of the army charges, civil charges and sterling remittances, and to prove that exchange was not the sole, not the principal factor—a statement which the British Committee of the Congress afterwards amplified on the basis of those figures. Further, the Association observed that another cause which had contributed in no small measure to the embarrassment was the exchange compensation granted indiscriminately to the Services; that it was a matter of profound regret that while all other classes of the community were patiently resigning themselves to the currency legislation in spite of acutely suffering more or less from its evil consequences, the servants of Government should have been allowed in such a financial crisis this allowance; that it was purely an act of false generosity at the expense of the helpless taxpayers of the empire, and as such was misplaced and altogether uncalled for; that the allowance was made in the midst of the financial difficulties of the Government when it had no funds to provide for it save by means of extra taxation; that the plea of the Services that they had to pay a lesser number of sovereigns as remittance home, and that they were unable to make both ends meet for the support of their families, was not borne out, as the purchasing power of gold had increased and articles of domestic consumption and apparel were on the whole a great deal cheaper than they were ten years ago; that the Government had made no serious attempt at retrenchment and that the sterling were charges allowed to grow; that if the reserve power of the country to bear taxation was discounted in times of profound peace it was to be feared the Government would find greater difficulty in meeting direct contingencies when they occur; that under the circumstances the necessity of continually husbanding their resources should be the first care of the Government, and next strict control over expenditure. I beg to put in this memorial.

The representation of our Association was slightingly referred to by the Financial Member, as almost all representations, however cogent, emanating from representative bodies, including the Congress, are generally treated by the Government. In the present case, however, it is satisfactory to notice that an eminent authority like Sir A. Colvin, an ex-Finance Minister, in his contribution on "Indian State Expenditure," to the pages of the *Nineteenth Century*, previously alluded to, confirmed the fact of the

Association as amplified by the British Committee of the Congress. He observed that "it was difficult to differ with a great deal of what it has to say in the matter of expenditure." And the facts again were further confirmed last year by so independent a financial journal of the highest reputation as the *Economist* in its issue of 25th July, 1896, the substance of which I beg to state here.

THE "ECONOMIST" ON INDIAN EXPENDITURE.

In support of its statement, the *Economist* gave the following table of net expenditure after meeting loss on exchange ;—

NET EXPENDITURE after meeting LOSS on EXCHANGE ;—

	1894-95	1884-85	Increase or Decrease 1894-95
	Rs.	Rs.	Rs.
Services of debt (excluding that charged to railways and irrigation) ...	2,138,100	3,281,400	—1,143.300
Military services ...	20,654,800	16,107,400	+4,547,400
Collection of revenues ...	6,279, 100	5,103,600	+1,175,500
Post office and telegraphs ...	——	441,200	—441,200
Railways ...	2,348,500	1,051,800	+1,296,700
Irrigation ...	612,800	573,000	+39,800
Civil Departments ...	12,764,000	10,262,100	+2,501,900
Miscellaneous civil charges...	3,686,500	3,247,400	+439,100
Famine relief and insurance.	610,100	1,548,400	—938,300
Construction of railways (charged against revenue).	19,600	263.500	—243.900
Buildings and roads ...	3,664,700	3,473,200	+191,500
	52,778,200	45,353,000	+7,425,000

Commenting on the above figures, the *Economist* proceeded to remark as follows;—"The fact is, that nearly every branch of expenditure shows a more or less considerable expansion. Apart altogether from loss on exchange, the cost of the military services was fully Rs. 4,500,000 greater in 1894-95 than in 1884-85. Similarly, the Civil Services show an increase of nearly Rs. 3,000,000, and so on throughout the list. Now we have no intention of arguing that these additions to the expenditure have been either unreasonable or unnecessary. Everywhere the cost of government tends to increase, and it would have been wonderful indeed if India had proved an exception to the rule. That, in fact, was Lord George Hamilton's assertion; that apart from exchange,

India is now being administered at a less cost than it was ten years ago, so surprising as to incite to investigation. Inquiry goes to show that it is contrary to the fact, and as it is of the utmost importance that on such a question Parliament should not be misled, an endeavour should be made during the approaching discussion of the Indian Budget to ascertain definitely how the matter stands. Lord George Hamilton should then be called upon either to prove or correct his statement." And after the Budget was discussed in the House of Commons, the *Economist* in its issue of of August 15th, 1896, observed that "it is noteworthy," that Lord George Hamilton "studiously refrained from any attempt to justify the statement he made last year to the effect that during the ten years ending 1894-95, the administrative expenditure of the Indian Government, apart from loss of exchange, instead of increasing, had diminished."

LOSSES ON RAILWAYS.

Coming now to Railways it may be observed that their accounts are not only very complicated but reach colossal figures. I give below the combined results of State and Guaranteed Railways:

Summary.	In 10 years.
(1) State Railways—	Rs.
Net receipts	69,209,897
,, charges	75,212,523
Loss	6.002,626
(2) Guaranteed Railways—	Rs.
Net receipts	34,201,231
,, charges	42.312,231
Loss	8,111,000
(3) Total loss in 10 years	14,113,626
(4) Average loss per annum ...	1,411,362

(5) The Subsidised State Railways incurred a net loss of 989,333 Rx. during the decade, or a loss of 98,933 per annum. But the loss is smaller by 82,833 Rx. than what it was in 1884-5. The above results, however, refer to the mere working of the railways. When all the financial factors, including interest on capital outlay, are taken into consideration, the results are different. To exhibit this take the actual financial results as stated in paragraph 19 (P. 22) of the Parliamentary Blue Book on "Administration Report on the Railways in India for 1895-96."

1894-1895.		Rs.
LOSSES—		
Guaranteed Railways ...	...	1,504,138
State Railways—		
Military, open ...	...	559,011
Do. unopen ..	...	88,853
Commercial, open ...	...	114,716
Do. unopen ...	...	251,678
Total losses	...	2,518,396
GAIN—		
State lines leased by Companies	...	—856,557
State lines worked by Companies	...	1,175,059
Apparent net loss ...	...	2,199,894
Add other charges ...	...	148,595
Total apparent charge	...	2,348,489

Deducting certain charges in connection with the East Indian Eastern Bengal, and North Western Railways, "the charge to the State," continues the Report, "during 1894-5, in connection with the entire Indian railway system, will stand at about 190½ lakhs of Rupees." Further deducting 44 lakhs on account of sinking fund the amount is brought down to 134⅓ lakhs of Rupees. If interest on lines under construction were excluded, the charge for railways open to traffic would come to 145½ lakhs in 1894-5.

It is no doubt true that the charges on account of the Guaranteed Railways, in terms of their contract, are very heavy indeed, specially owing to exchange, as interest on their capital has to be paid on sterling — also for surplus profits. It is observed in the report that the State has to continue to pay interest at the Guaranteed rates until the Contracts terminate, and it is consequently unable to attain any advantage from cheaper money and the improved credit of the country; that is to say, where the State could now raise money at a little over 2½ per cent. to pay off loans raised at higher rates of interest, it has to continue paying interest at a high average rate of about 4¾ per cent. on the Capital raised by the Guaranteed Companies; and owing to the fall in exchange the sterling interest charges, if Converted into Rupees at the average rate for 1894-5, gives a percentage of over 7¾ on the total capital raised converted at the Contract rate of exchange. Had it been possible to remit at the contract rate of exchange, the result to the State of the working of the Guaranteed Railways would have been a profit of Rupees 126,670 in the years 1894-5, instead of a charge of Rupees 95,041,380 as shown above, Thus, owing to the burdensome

conditions of the contracts with the Guaranteed Railways the State at present has to suffer until the period of their purchase or renewal on other terms arrives. Guaranteed lines besides, it must be observed that the State lines leased to Companies, that is to say, Imperial lines constructed with capital raised by or supplied to Companies under contract with the Secretary of State, do not yet show any very encouraging results. Statement No. 2 of the Railway Administration Report already referred to, shows that the working for 1894-5 was a loss of 856,557 Rs. These Railways have a capital outlay of 34,603,797 Rs. on which, after paying interest charges, taking into consideration their net earnings, less their share, there was the loss of 856,557 Rs., as indicated above.

Again, according to Statement No. 3 of the same Report, the Commercial railways belonging to the State which were open for traffic or working lost in all 114,716 Rs. during 1894-5—their total capital being 62,019,586 Rs.

But it is the State Military Railways which show a very heavy loss. The North Western, with a capital outlay of Rs. 12,213,069 incurred a loss in 1894-5 of 559,011 Rs., while four unopened lines with a capital of Rs. 2,568,508, lost 38,853 Rs. Thus there was a total loss of Rs. 647,864 on a capital outlay of Rs. 14,788,577. The enormous amount of the capital sunk in these Military lines, and the loss they incur from year to year, need the closest attention of the Commission. In reality the Military expenditure should be increased by the annual loss entailed by these railways. They are of a most unproductive character, and must be condemned. The strategic utility even is openly doubted by even military experts, such as Colonel Hanna. In connection with these railways it may be pointed out here that in the capital outlay is included the sum of 432,900 Rs., for "Frontier Railway Reserve Material," besides a further item of 36,776 Rs. from "Peshawar Railway Reserve Material." The first would refer, I believe, to the railway material lying at the farther end of the Khojak pass for laying a line to Kandahar, about 100 miles, whenever the emergency arises. The material has been there since the conclusion of the second Afghan War; I leave it to the Commission to consider the inutility of such expenditure, involving a heavy annual charge for interest, not to say aught of the deterioration of such material.

Further, there is now in progress the new Bolan Railway, called the Mushkof Bolan. The old line is abandoned, and a new alignment made for a certain distance. No doubt it is owing to heavy floods that the course has been changed. All the same, it means so much more capital, and also a little want of foresight in the first construction.

Lastly, there is a certain line under survey, namely, the Wazirabad Multan Railway.

It will be manifest from the above observations that after all the Indian Railways are not quite an unmixed blessing, as it is the work of the official optimists and their unofficial advocates or apologists to say. Far from in any way detracting from the boons conferred by Indian Railways, I may say without hesitation, that they have been vastly instrumental in developing the country, mostly to the benefit of the foreign capitalist. Still from the financial and economic point of view there are certain disadvantages to the people.

THE BURDEN OF LOSSES ON RAILWAYS BORNE BY THE TAXPAYERS.

The financial losses are a burden on the taxpayers. The *real* burden of these losses from the very date of the construction of the railway in 1848 to date is colossal. In the Parliamentary return on E.I. Railway Committee Report, published on July 18th, 1884, there is given at pages 706-7, a table clearly showing the financial losses. The table was specially prepared at the India Office by order of the Secretary of State. Taking some of the figures of that table, and following them up by the table of the losses incurred as given in the Annual Administration of Railways for 1895-6, it would be found that the losses from 1848 to 1894 amount of Rx. 60,689, 159, as under:—

	Rs.
(1) Guaranteed Railways Interest Charges 1848-9 to 1867-8	17,643,438
Guaranteed Railways Interest Charges 1868-9 to 1879-80	15,352,779
Guaranteed Railways Interest Charges 1880-1 to 1894-5	7,287,903
	40,284,120
Add Charges account Land and Supervision, 1858-9 to 1894-5	3,860,954
	44,145,074
(2) State Lines worked by the State from 1858-9 to 1894-5	20,812,919
(3) State Lines leased to and worked by Companies (excluding E. I. Railway) fom 1858-9 to 1894-5. ...	6,416,864
Add Charges account Land, Subsidy, and Interest.	499,676
	6,916,540

		Rs.
Total of above three Railways ...	...	71,874,533
Add Miscellaneous Railway Expenditure	...	1.442,369
		73,316,902
Deduct Gain on E. I. Railway from 1858 to 1894.		12,627,734
Total Loss to the State from 1848 to 1894	...	60,689,159

In other words, the revenues of India have suffered to that extent, and the railways have to make up that amount yet, not to say aught of the simple interest on such outlay would amount to Rs. 309,517,203.

ECONOMIC DISADVANTAGES OF RAILWAYS.

As to the economic disadvantages which have resulted by the construction of railways, the most important is this : That almost all the capital being subscribed by English Capitalists, the entire profits are carried by them from the Indian revenues. About $5\frac{3}{4}$ million Rx. were thus carried away in 1894-5. Had the Government itself constructed all railways by borrowed capital, the net profits after paying interest to the Capitalists, would have remained in the country for its better prosperity. The economic fact of an alien rule always draining the resources of the subject country was entirely lost sight of.

At page 184, Chapter XII, of the Railway Administration Report, is given a table of persons employed on railways. It is as follows :

		No.
1.	Europeans	4,692
2.	East Indians	6,698
3.	Natives	270,047

Now, according to the Parliamentry Return of salaries, dated May 17th, 1892, there were in all 2,448 Europeans earning salaries of 1,000 Rupees and upwards per annum. The total salaries came to 806,284 Rs. There were, however, only 895 Natives who earned salaries of 1,000 Rs. and upwards, and the total of these salaries amounted to Rs. 136,735. The salaries earned by Europeans in the employ of Railway Companies is another drain from the country.

IRRIGATION WORKS.

It is satisfactory to notice that on the whole, during the last ten years, the major irrigation work which are constructed from general revenues for productive purposes, are somewhat

paying. There was an account on the wrong side up to 1888-89, but since that year there has been a fair amount to the credit of the net receipts. For the year 1894-5 the net receipts, after deducting interest on capital, amounted to 182,852 Rx. The minor works, which are still a net charge on the revenues, show an increase of 91, 967, Rx., on an average per annum compared with 1884-85. In that year the net charge was 610 173 Rx., but during the decade it averaged 702,140 Rx. At the end of the year 1894-5 (according to the statement of Mr. A. Becher, Officiating Accountant General, P. W. Department, published in the Gazette of India on October 17th, 1896) there were forty-six projects classed as major works, and seventy-six as minor. The capital outlay at the end of that year was :—

		Rx.
Major Works ...	...	31,731,986
Minor Works ...	...	4,849,733
Or a Grand Total of	...	Rx. 36,581,719

There was a net profit, after paying interest on capital on major works of 99,744 Rs. The percentage of net revenue of the year on the capital on major works was 4.08 per cent., and on minor works of 5.65 per cent.

It seems, however, that all irrigation works are not paying. Like the railways, many have incurred losses up to 1894-5. Taking them by provinces, the broad results are as follows, after taking into account interest on capital outlay.

		Rs. Gain (plus) or Loss (minus)
Bengal	minus	4.935,789
N. W. P. and Oudh	plus	1,366,411
Punjab	plus	2,558,605
Madras	plus	5,326,584
Bombay	minus	430,343

As far as Bombay is concerned it may be stated that Sind made a net profit of 267,410 Rs., but all the works in Gujrat and Deccan showed loss amounting to 697,753 Rs.

GREATER NECESSITY OF IRRIGATION WORKS

After the evidence adduced before the Commission in respect of certain canals in the parts which had to be taken over from insolvent companies, at prices which can only be considered most improvident and uncommercial, it would be idle to refer to such class of

works which have cost the taxpayers millions without any satisfactoryreturn whatever. But I may be permitted too bserve that in the present deteriorated condition of Indian agriculture, when there is not enough food grain produced to fully suffice for the entire population per annum, it is of greater importance to construct irrigation works than more railways. It should be remembered that even protective railways against famine, however largely constructed, would give no help to the people in famine stricken districts, whenever a serious famine of the intensity now prevailing may occur, if there be not adequate surplus of grain to carry from one province to another. What is more essential is to stimulate the food supply. Irrigation, therefore, is of infinitely greater importance than railways. In some parts, undoubtedly, the big irrigation works have done mischief to the fertility of the soil and the health of the population. It is, however, not large costly works which cannot pay even the interest on the borrowed capital from which they are constructed that are wanted. My proposal is to dot those parts of the country which generally suffer from insufficient rain or drought with numerous wells, which may cost from 50 Rupees to 500 or even 1,000 Rs. at the utmost.

IRRIGATION BY WELLS.

Madras boasts of many such wells built anterior to the advent of British rule. If irrigation by wells and other equally cheap modes were put into practice, it would entirely change the surface of the soil in a few years and at a considerably less cost.

CIVIL EXPENDITURE; POLITICAL EVIL OF THE SIMLA EXODUS; SEPARATION OF JUDICIAL FROM EXECUTIVE FUNCTIONS; MISERABLE EXPENDITURE ON EDUCATION.

Coming now to what are called Civil Departments, I may just summarise the growth of the charges under the various heads during the decade, compared with 1884-5.

		Increase. Rs.
(1)	General Administration	... 152,001
(2)	Law Courts ...	... 190,178
(3)	Jails ...	... 48,868
(4)	Police ...	... 817,353
(5)	Marine ...	... 116,913
(6)	Educational ...	... 120,779
(7)	Ecclesiastical ...	... 640
(8)	Medical ...	... 85,498
(9)	Political ...	... 25,513
(10)	Scientific, etc. ...	... 22,018
	Total	1,579,761

In reference to all these charges justification has been given, but as a non-official I have no means to judge of the necessity or otherwise of the increases in the several departments. It may be that they were needed for greater efficiency. At the same time there are some matters on which criticism may be ventured. General administration is divided under two heads—that in India and in England. The Indian charge has increased by 63,711 Rs per annum, and the English by 20,218 Rs. In the former there is a very large growth under the sub-head "Secretariat"; almost all the provinces as well as the Government of India increased their charges. As a result, the cost, which was 338,031 Rs. in 1886-7 rose to 394,912 Rs. in 1893-4. As to Secretariat charges, I have to refer the Commission to the minute of Sir C. Aitchison about the increase in the Financial Department. (See Appendix 2. Volume II., page 35). The tour charges of the Viceroy need to be greatly curtailed. They work besides to the disadvantage of the taxpayer by residence for eight months at Simla. What was once a retreat for two or three months during the hottest part of the year is now virtually the seat of the Gevernment for the major portion of the year. All India, European and Native, has condemned what is called the Simla exodus. All the heads of the departments under the Government follow suit, and thus a most mischievous practice has grown up of staying on the hills. Since writing this evidence I find in the Bombay papers and others that there is now an agitation against the Simla exodus—that the Viceroy and the Government should go there. Even at the present moment this exodus is criticised severely, especially while famine is raging in important parts of India. Sometimes important legislation of a far-reaching character, needing the presence of non-official members is required. But owing to the Government residing there they are not summoned. A most glaring instance of this was found when the Currency Amended Act was passed on June 26th, 1893. No non-official member save Sir John Mackay, who was favourable to the Amending Act, was present. The non-official native members had no opportunity to explain their views. This is a great political evil.

Under Law and Justice all the sub-heads show a great increase. High Courts, &c., show an increase from Rs. 314-423 in 1886-7, to Rs. 347,195 in 1893.4. Law officers' establishments have risen from 64,419 to 96,045 Rs; Civil and Sessions Courts, from 69,355 to 68,199; Criminal Courts from 901,645 to 1,004,886. This branch of the Administration could be more economically and efficiently managed were native agency still more extensively employed in substitution of Europeans. Great complaints are made as to the efficiency of the police, and the reason is that the higher appointments are almost all reserved for Europeans. Therefore, there is little prospect for police subordinates; and the best class of men are unwilling to enlist in the force. With

proper arrangements: native officers of police should be obtainable bearing the same high character for ability and integrity as the class which furnishes the subordinate judges. If almost all the district judges, civil and criminal, were trained native lawyers, a great saving could be effected, while judicial administration could be greatly improved. The Public Service Commission has borne ample testimony to the good work done by native judiciary. In this connection I may observe that there is now a consensus of opinion, not only among Indians, but among English lawyers of reputation and authority who served in India, that the administration of criminal justice, which is at present not very satisfactory, would be improved by separating judicial from executive and magisterial functions. In Bombay the Honourable Mr. P. M. Mehta, a trained barrister of twenty-nine years' standing, and most fully conversant with criminal justice, more than once brought his scheme of reform to the notice of the Legislative Council, but to no purpose. The scheme is not at all costly, though the question of heavy cost is brought forward as an excuse. I can produce extracts from the proceedings of the Bombay Legislative Council to show what Mr. Mehta's scheme is.

Extract from the speech of the Honourable Mr. Pherozshah M. Mehta, LL D., at the Bombay Legislative Council, held on 27th July, 1893 (vide Proceedings of the Council of the Governor of Bombay for making Laws and Regulations, Vol. XXXI.) :—"The total cost of Criminal Courts is Rs. 12,66,000. Out of this amount Rs. 10,19,662 are brought from land revenue head, being half portion of the salaries of assistant Judges, mamlatdars, &c. What I venture to suggest is that instead of employing assistant collectors and mamlatdars to do criminal work, that work might be transferred to a body to whom such work would be congenial and harmonious—I mean the Subordinate Judges. I contend that it is discordant work so far as revenue officers are concerned. If the work were entrusted to a body to whom it would be more appropriate, namely, the trained Subordinate Judges there would be a considerable saving effected in the Budget in the cost of revenue and criminal work. This would hardly be the time to go into all the details of the account, but I would illustrate my remarks by taking one district, *viz.*, Poona. There are eight talukas in Poona, to look after which there are three assistant collectors, three first grade and one assistant collector with no magisterial powers. Their salaries are Rs. 900, Rs. 700 and Rs. 400 respectively. Then there are nine mamlatdars having first-class powers on Rs. 200 each, total Rs. 800 ; and five with second-class powers on salaries between Rs. 200 and Rs. 150, total Rs. 850. The total of all three mamlatdars is Rs. 1,650 per month. I have some personal working of these Courts. On the whole the assistant collectors and mamlatdars certainly do not devote anything like even two full hours per day to

criminal work; they are not able to do it. If all this criminal work intermittently done by these men was made over to Subordinate Judges, who are trained officers and competent to deal with it, the cost of criminal work would be reduced in this way. I would abolish one of the three assistant collectors, *i e.*, Rs. 700, and cut down the mamlatdars by half, *i e.*, Rs. 825, total Rs. 1,525. Against this I would suggest the employment of three more Subordinate Judges for the district on Rs. 300 a month each, *viz.*, Rs. 900. This would give a monthly saving of Rs. 625, or Rs. 7,500 a year. This would not only secure economy, but increased efficiency, for the work would be done by better trained judicial officers. There would also be another advantage. We know at present that assistant collectors have to call the accused and witnesses in cases on their files to follow them to their camps over long distances. This is a very great hardship. . . . Then again the evils of associating criminal and revenue work would be mitigated."

There were also certain economies proposed by the Finance Committee with regard to certain appointments in the High Court of Bombay. For instance, the placing of the Clerk to the Insolvent's Court on a fixed salary instead of on fees, which now come on an average to Rs. 3,000 a month—very nearly the pay of High Court Judge. The post can easily be filled by a competent native on Rs. 400 to 500. But here, for ordinary routine work, the incumbent is still permitted to draw fees equivalent to the pay of a Judge who does hard brain work.

As to Educational Charges, all that I can say in this place is that the expenditure is very illiberal. There is a loud cry all over the Empire that the Government spends very little on the education of the masses, a very large proportion of whom are illiterate. The total expenditure on this head in 1884-5 was Rx. 1,035,496 including local cesses. During the succeeding ten years it was on an average Rx. 1,156,275. The increase was Rx. 120,779.

The late Sir Alexander Grant, Director of Public Instruction in Bombay, observed that if the Government gave only 2 per cent. of its gross revenue per annum for purposes of education, it would achieve a great progress in matters of education. As a matter of fact, it spends only 1 per cent., and that for all kinds of education while a very large portion of the population is ignorant of the very alphabet. Millions are thrown away on bootless frontier expeditions and fireworks, for which monies are always forthcoming, but not for the education of the masses. Great Britain spends eight millions sterling per year on thirty-six millions of the population. But for the 220 millions of British India the Indian Government spends very little indeed. Every rupee spent on education will eventually serve to drive ignorance and superstition from the country, and bring the masses into closer attachment with British rule. In short, the more India is educated, the greater the strength and security

of the British Indian Empire. I beg to point out that the Indian Government now derives a revenue from the drink traffic of over $5\frac{1}{2}$ million Rs. from the masses. It comes to 4 annas per head of the population, roundly speaking, while it spends only a little less than an anna on education.

Miscellaneous Civil Charges also show a great growth under their several sub-heads, as follows, compared with 1884-5 :—

	Increase. Rx.
Territorial and political pensions	113,197
Furlough allowances	41,047
Superannuation and pensions	716,120
Stationery and printing	18,271

SUPERANNUATIONS AND PENSIONS.—This, too, is a growing charge. The pensions in India increased 15,465 Rx. on an average of the ten years, over the figures of 1884-5. In England they increased by Rx. 251,708 exclusive of exchange, which increased by Rx. 454,605. The total net charges increased to 716,120 Rx. The fact again demonstrates the costly character of the foreign agency, and the heavy drain of the country's wealth, every way disadvantageous to India, from the moral and material point of view.

FAMINE RELIEF AND INSURANCE.—As far as Protective Railway Expenditure goes, there has been on an average Rx. 588,849 less incurred per year than was the case in 1884-5 when Rx. 946,457 was expended. On Protective Irrigation, too, 169,010 Rx. have been annually less expended. A prolonged and unpleasant controversy has raged round this grant, and the Indian public despite all official explanations, have maintained that the fund has been tampered with in spite of solemn assurance. But apart from the controversy it is a fact that for three consecutive years, owing to increased military activity in Upper Burmah and elsewhere, the amount expended was very low.

	Rx.
1886-7	309,020
1887-8	91,408
1888-9	78,336

In 1889-90 and 1890-1 600,000 Rx. were expended. In 1891-2 the sum applied was 1,268,319 Rx. In the following two years it was 1,116,103 and 1,117,801 respectively ; while in 1894-5 it was again reduced to 610,235. I do not agree with the contention put forward on behalf of the Government that it is only when a surplus is available that the grant could be given. For, as a matter of fact, there have been grants when there were deficits also. In 1884-5 there was a deficit of 384,446. yet the grant was maintained inthe accounts at 1,548-357. In 1892-3 there was a deficit of 832,412, and yet there was a grant of 1,116,103. In 1893-4 there was

a deficit of 1,546,998, and yet 117,801 Rx. were made available. These stern facts entirely disprove the plea put forth that the grant could only be made when there is a surplus. The Indian public has never understood it in that sense. The sense in which it has been understood is this. That it was to form an ordinary item of expenditure for which a tax was specially provided. Even supposing, for argument's sake that the undertaking was inaccurate (which I deny), sound finance alone demands that this item should be considered as an ordinary recurring expenditure; at any rate, till such time that the necessity for it exists. There can be a surplus only in the true sense of the term when all normal expenditure is provided for in the Budget. The partial suspension of the Famine Fund in the past cannot, therefore, be excused. Far better to declare at once that the grant will be available whenever it suits the Government rather than apologise for its partial suspension in the absurd way that it has been done in the past. Lastly, it is impossible to understand on what principle are Indian Midland and Bengal-Nagpur Railways considered to be protective railways, that the interest due on their capital should be paid out of the Famine Fund. Both are commercial railways, and it is surprising that the interest charge should not be carried to the railways proper constructed out of borrowed capital.

THE INIQUITY OF THE EXCHANGE COMPENSATION ALLOWANCE.

There was absolutely no reason for the Indian Government to impose on the one hand a further burden on the tax-payers, and on the other simultaneously give more to those who are already in the enjoyment of very liberal salaries—salaries which have no parallel in any part of the civilised world. That there was no legal obligation to allow this compensation has been fully admitted by the Government of India, and specially at the expense of the tax-payers, as if they did not suffer also from the burden of exchange, as if they did not contribute to help the State to cover the loss arising from it. But objectionable as it is there is no validity even in the reason assigned, namely, that civil and military officers have felt it a great hardship to remit monies home for the maintenance and education of their families in England. In the first place the Government is not bound to take this plea into consideration. The patent economic fact of the increased purchasing power of gold seems to have been totally ignored. If the officers have less sovereigns to remit for the equivalent in rupees, their families are able to buy more of all domestic goods. It wll be seen from the table in the Presidency Association's memorial of 16th March 1894, put in by me, that the prices of almost all articles of domestic consumption and wearing apparel have greatly fallen since 1884. And my inquiry since my arrival in London would seem to inform one that house rent even in so dear a place as London has fallen. In the teeth of these facts it was a gross act of injustice to the Indian

tax-payer to impose fresh burdens on him for the sake of the Services. Nothing has created greater dissatisfaction than this measure—so arbitrary and worthy only of Oriental despotism, regardless of the poverty-stricken condition of the people, rather than that of a just Government as the Government of India purports to be. But for this there would have been no necessity to re-impose the import duty on merchandise, and the sooner this financial injustice is removed the better.

CONCLUDING OBSERVATIONS ON THE GROWTH OF EXPENDITURE.

From the foregoing examination of the progress of expenditure it will be evident to the Commission: —

1. That the financial embarrassments which prevailed during the decade owe their origin principally to the enormous growth of Military Expenditure, which has led to the imposition of additional taxation which now amounts, including the customs duties on cotton goods, to nearly 3 crores.

2. That the growth in Civil Expenditure is also very considerable. But so far as this is concerned there is not much cause of complaint save in one respect, namely, that the costly foreign agency absorbs a large portion of the revenue which could be considerably saved if there was more extensive employment of Indians in the higher grades of the Administration. It may be observed that adequate Civil Expenditure of a productive character is much to be desired. I mean such as gives the tax-payer a fair *quid pro quo*, such as education for the masses, more efficient administration of justice, greater village and town sanitation, and all other works of public utility which contribute to the expansion of provincial resources and prosperity of the people.

3. That the burden of exchange might have been easily borne, without resort to fresh and enhanced taxation, had the Military Expenditure been on the basis of 1884-5.

4. That a similar growth, if allowed to go unchecked in future, is liable to plunge the Government into fresh embarrassments, leading to further taxation, which is neither desirable in the interests of good and stable government nor in the interests of the people, among whom there prevails sullen discontent inasmuch as their capacity to bear further burdens has been greatly crippled. The Secretary of State writes imperative despatches for strict economy, for exercising utmost care in public expenditure, for the dangers of increasing the burdens of taxation has to be borne in mind. (*Vide* Despatch, April 12th, 1888, Vol. II. Appendix, page 141; Despatch of November 3rd, 1892, Vol. II, Appendix page 154.)

These warnings seem to fall on deaf ears, and Secretaries of State do not enforce what they enjoin, and the despatches only

remain pious intentions. At any rate, the Commission must have noticed how, in spite of them, expenditure has grown apace. Since 1892 taxation to the extent of 3 crores has been added, while the military activity beyond the frontiers was even greater in consequence of the acquisition of Gilgit, which ultimately led to the occupation of Chitral at a cost of 1½ crore, and with a permanent annual charge of about 25 lakhs! The Secretary of State himself is a silent or originating party to this kind of expenditure. So that it may truly be observed that the despatches are practically of no effect, and that both the Secretary of State and the Government of India must be held equally responsible for that expenditure.

It is a well-known fact that India has no true surplus to speak of. It lives, at the best, from hand to mouth, and is oftener than not in a condition of embarrassment, from which it relieves itself only by windfalls or borrowing, or by enhanced taxation, which every time that it is imposed diminishes the capacity of the taxpayer whose income does not exceed Rs. 27 per annum.

From 1849-50 to 1894-5 there has been a net deficit of 37·62 million Rs. In other words, during the forty-six years Indian finances have exhibited an annual deficit of 800,000 Rs. on an average. The most essential fact seems to have been invariably lost sight of, that India is made a poor country by the "bleeding" it has been subjected to, and can therefore have but a poor revenue. That a system of administration, however well meaning, which takes no cognizance of this essential fact, but goes on adopting a Western system of Government, a system of an alien government in which the people have no voice, and which besides is known to be costly, must in the long run end in financial disaster, however long it may be coming in. I go further and say it is a system unnatural and foredoomed to failure. Under the circumstances Indians cannot but view with the gravest apprehension any further increase of expenditure.

The practical suggestions I have to make are these :—

1. That the Military Expenditure must be materially reduced; and

2. The costly foreign agency must be gradually replaced by an economical Native Agency, and a fair share of the expenditure must be borne by the United Kingdom for interests common to both countries. I need not go into the great moral and material drain of this alien agency, which the country has been witnessing for years past. Mr. Naoroji has exhaustively demonstrated it to the Commission, and I have nothing new to add.

III.—APPORTIONMENT.

After the mass of evidence recorded by the Commission on the subject of the Apportionment of charges between England and India there remains very little to be said.

First, as to what are called Home Charges, namely, those which were inquired into by the India Office Departmental Committee, all high authorities such as Lords Northbrook, Ripon, Cromer and Lansdowne have expressed their opinion that the apportionment cannot be merely on the basis of an arithmetical calculation; but that having regard to the capacity of India, and the fact of its being almost voiceless in the matter, the appointment should be on the grounds of justice and equity, for which India has clamoured for years, but hitherto in vain.

Second. That in reference to all charges which are incurred for the common interests both of England and India, it is just and expedient that England should bear at least half of those paid for the European Agency, military and civil, employed in England and India.

Third. That all charges incurred from the time of Second Afghanistan War on the north-west frontier of India should be equally divided. Though my Association and the Congress are of opinion that all these frontier wars and expeditions were unjustifiable and a needless waste of expenditure for all practical purposes, a compromise in this matter may be agreed to by an equal division of the expenses hitherto incurred. As to Upper Burmah the entire cost of the military expedition and the subsequent cost of administration should be wholly refunded by England to India, and the province separated from India, and made into a Crown Colony as was suggested by the Congress. The occupation was made out at the suggestion of English merchants in Rangoon and Mandalay. Indians never demanded the annexation, and it is unfair to India that for the promotion of the interests of English capitalists and extension of the British Empire any charges be paid out of the revenues of India.

Fourth. The charge for the occupation of Aden and its subsequent administration should be fairly divided between England and India and between all the British Colonies in the East. And as to the Embassy at Teheran, the charges should be wholly borne by England, as no Indian interests are concerned.

Fifth. That India should not be called upon to pay any charges ordinary or extraordinary whatever in reference to all service which India may be called upon to render to England, unless India was directly interested, and that in such case the charges should be also equally borne by India and England.

Sixth. That Indian affairs must be kept within the natural boundaries of India, and she should not be dragged into matters outside those boundaries, and made to pay their costs.

Seventh. That if India is to be treated as partner, which she is not in any sense at present, she should share all the benefits accruing from that partnership.

Lastly, I would suggest that some suitable Indian representatives should be appointed to seats in the India Council. It will be remembered that in the original scheme for the India Council, Mr. Disraeli had proposed that seats should be preserved for members elected by a special Indian constituency. India has vastly progressed since that scheme was suggested, and it is high time some steps were taken in the matter. I think in the various elected members of the Provincial and Imperial Legislative Councils will be found ready made such a constituency. It could elect from its own body such members as would, in its opinion, be best qualified to sit on the India Council, and represent all Indian matters, especially financial, from the Indian point of view.

REJOINDER TO MR. JACOB'S EVIDENCE.*

BELATED PUBLICATION OF ANNUAL CIVIL ESTIMATES.

Q. 20,186.—In reply to my answer to Question No. 17,150, as regards the great delay on the part of the Indian Government to make available to the public the annual Civil Estimates, Mr. Jacob observed that "the statement is not correct" and that "the volume containing all the Civil Estimates is published about June. By June, I presume, is meant the month of June following the presentation of the annual Financial Statement made in March. Mr. Jacob then gives the respective dates on which the Civil Estimates of each Presidency and Province for 1896-97 were "printed of."

In the first place, "printing off" the several estimates for the different provinces is one thing and publishing and making them *available for the public* is a different thing. Because the Government "printed off" the different estimates on the dates mentioned, it does not necessarily follow that the public could buy them.

In the second place, it is somewhat difficult to understand what Mr. Jacob means when he says "the volume containing all the Civil Estimates is *published* about June." Taking the sense of the word "published" in its ordinary acceptation, I presume that when the volume is published, it is immediately made available to the public. If it be published but *not* made available to the public, then it cannot be said to be published in the ordinary English sense of the word. Assuming that "published" means made available to the public, I may inform the Commission that the only way in which the public, including my own Association, can ascertain the fact is by a constant reference to the advertisements

---

* Mr. Jacob's evidence was (tendered on the 21st July 1897) after Mr. Wacha had left London for Bombay. The commission thought it fair to send the evidence to Mr. Wacha in order that he may be allowed to rebut it, if necessary.

for sale of all official publications of the Government of India in the columns of the *Gazette of India* from week to week. It is *the* only paper in which such publications are offered for sale. A reference to this *Gazette of India* shows that the following are the dates on which the volume of Civil Estimates for the four years ending 1896-97 were for the *first time* advertised :—

For 1893-94 on 2nd September 1893.
,, 1894-95 ,, 12th October 1895.
,, 1895-96 ,, 21st December 1895.
,, 1896-97 ,, 19th June 1897.

It will be seen that the volume for 1893-94 was advertised for the *first time* as being available to the public about *three months later* than the month in which Mr. Jacob states the Civil Estimates are usually published. The volume for 1894-95 was similarly advertised for sale for the *first time* on 12th October 1895, that is, *sixteen months after date*. The volume, according to Mr. Jacob, should have been ready for *public use* in June 1894. As a matter of fact it was not so ready till 12th October 1895! Again, that for 1895-96 was published for the *first time* on 26th December 1895, that is, *six* months after date. Lastly, the volume for 1896-97 was *first* advertised on 19th June 1897 or fully twelve months later. The volume for the current financial year (1897-98) is *not yet* published. My Association had lately written to the Superintendent of the Government of India Printing Press to be furnished with it, along with other publication. In sending his bill for other publications, he referred in a note as follows regarding the Civil Estimates for 1897-98 :—

"Civil Estimates for 1897-98 have not yet been published."

Up to the date of forwarding this paper the Estimates for 1897-98 had not been advertised for sale.

Under the circumstances the Commission will no doubt admit that my complaint that the Civil Estimates are not made available to the public for well nigh a year is more than justified. In two out of the four instances they were retarded for fully 16 and 12 months!

MILITARY ESTIMATES.

As I am on this subject I may be permitted to remark that Mr. Jacob does not seem to have offered any explanation on behalf of the Government of India regarding the Military Estimates, of which, too, I had complained in my examination-in-chief. These are not made available at all. If stores estimates, telegraph

estimates and public works estimates (military) are made available, why not the Military Estimates? If in England these estimates are published for general information, and could be had for a few shillings, what is there to prevent the Government of India following that example? It would be idle to allege that the publication is withheld in public interests when those very interests loudly demand them, bearing in mind the annually increasing cost of the army charges which have been the principal cause of the embarrassed condition of Indian finances for the past few years, or is it that the estimates are withheld to prevent public criticism?

HASTY ALLOCATION OF A YEAR'S SURPLUS WITHOUT SERIOUS CONSIDERATION.

Q. 20, 187.—With reference to Mr. Jacob's answer to this question, I beg to recall to the mind of the members of the Commission, question No. 17, 234 put to me by Mr. Courtney. I am sorry that the real gravamen of my answers in reference to my suggestion for an exchange reserve fund should have been so greatly misunderstood, as is evidenced by Mr. Jacob's reply. I never said that Finance Ministers had been too sanguine in taking the rate of exchange in the annual budget from 1872 to 1893. This allegation of sanguineness is not mine but Mr. Courtney's. It was he who put me the question, though I had nowhere made the statement. My answer to question 17, 234 is clear. And I made it clearer still in my subsequent replies on the same subject, as will be seen on a reference to them. The gist of my observations was that inasmuch as Finance Minister had in recent years bewailed the fluctuations of exchange, to which they generally attributed either deficits or surpluses over budget estimates, it would be more prudent to take exchange at as low a rate as was possible, taking past years' experience into consideration, so that it may not lie in the mouth of these high officials to attribute every disturbance in the budget chiefly to exchange. In support of this statement I quoted Sir Auckland Colvin's metaphor about the lodging house cat. I must, therefore, repudiate the meaning which Mr. Jacob has endeavoured to attach to this part of my evidence. Hence also the table he submits in support of it is simply superfluous and has no bearing on my point. The same observations are equally applicable to Mr. Jacob's reply to question No. 20,188. When he remarks on my selection of the year 1896-97 as being "unfortunate," and when he quotes an extract from the Financial Statement he is simply labouring under a misapprehension, if not somewhat leading the Commission astray. The year 1896-97 was pointed out by me as an illustration *not* of the rate of exchange being taken high or low, but of the practice of prematurely disposing of a surplus chiefly arising from a better realised rate of exchange or "improvement," as it is styled in

official parlance. This will be clear if the Commission would carefully go over my whole reply to questions No. 17,253 and 17,254. I there pointed out an instance of the evil arising from such a disposal. No sooner was half a crore remitted on cotton duties and half a crore voted away for mobilization than the Government had to contend with a deficit arising from famine. Moreover, in giving that illustration I was only supporting the statement almost to the same effect of no less a witness than Sir David Barbour, an ex-Finance Minister, that there was a desire to utilise rather very prematurely so-called surpluses. (*See* Q. 1928—9.)

But there is one statement at the very conclusion of Mr. Jacob's reply to question No. 20,188 on this point to which I beg to submit a rejoinder. Mr. Jacob, while admitting the disposal of the improvement of a crore, says half was utilised in reducing taxation (reduction of import duty on cotton goods from 5 to 3½ per cent.) and the other half "assigned to meet a charge which had long been pressed upon the Government, and which was not of a recurring nature, so that it did not affect the financial position beyond the current year." As to the remission of the duty of 1½ per cent. on cotton goods, I observed in my reply to question No. 17,253 that it was in defiance of the entire public opinion of India, European and Native. There was absolute unanimity that the cotton duty should not be reduced. Surely a better example of hasty and ill-considered sacrifice of revenue could not have been shown in support of my contention. And as to the half a crore voted away on mobilisation, it is no answer to my contention to say that it was not to be a recurring charge and that it only affected the finances for a year. Whether it affected it for a year or ten years is not the point at issue. The point is whether even that vote was justifiable in a year in which the Government, according to its own interpretation of the country's need, but not of the public, reduced the famine grant by half a crore. Was it not a charge which could have been suspended till more pressing demands had been satisfied? But it is notorious that the half a crore was given away because the military advisers of the Government were trying to have a permanent occupation of the Chitral valley which has since been the scene of heavy carnage and has led to another large sacrifice of revenue by way of an expedition against the Swats. But I go further and say that it is not even correct for Mr. Jacob to observe that this was a "charge which has been long pressed" upon the Government. This mobilisation finance has a history of its own, which I will briefly recapitulate here for the information of the Commission. It was in the Financial Statement of 1888-89 that Rx. 203,500 were put down for mobilisation which was an entirely new expenditure. Sir David Barbour, the then Finance Minister, observed as follows in reference to its necessity:—"The Rx. 203,500 on account of mobilisation is intended to

meet the cost of purchasing transport animals, provisions and equipment, so that in case of need, an army corps may be in a position to take the field promptly* * *The greater portion of the cost will be incurred once and for all and will not recur?* And yet what happened? The grant proved insufficient and straightway another sum of Rx. 60,000 was voted in the budget of the following year, apart from the justification of this expenditure on which Military experts are divided, many holding it to be a pure waste of public founds, like all other expenditure on punitive expeditions and military railways hither and thither. Then was again voted Rx. 80,000 in the revised estimates for 1891-92 for "additional transport mules," Rx. 52,100 for "remount and ordnance mules," and Rx. 213,500 for "expenditure in India in preparations to facilitate mobilisation." As if this sum of Rx. 345,600 was not enough, after the previous outlay above referred to, the Financial Statement for 1892-93 voted Rx. 61,600 for further "measures intended to facilitate the speedy mobilisation of the army." And yet three years later we see this half a crore again voted! It may be reasonably asked, from the taxpayer's point of view, what became of the Rx. 609,100 sanctioned between 1889-90 and 1890-93? Has the Government any account to give of the transport, provisions and equipment purchased with that sum? The statement that the charge of half a crore last voted is "not of a recurring nature" is liable to be accepted with entire scepticism after the recurring expenditure which has been going on since 1888-89, despite the solemn assurance that it was not to be of a recurring nature. Sir James Westland has said the same, but I leave it to the Commission to infer from the above facts whether the last expenditure should have been so hastily voted on an object which appears to be quite open to serious doubts as to its utility. And it may be further asked whether there is any guarantee at all that expenditure of a life character will not recur?

FURTHER EMPHATIC PROOF THAT EXCHANGE WAS *NOT* THE CAUSE OF DEFECT BUT INCREASED ARMY CHARGES.

Q. 20,193.—As to Mr. Jacob's reply to this question and the table submitted by him in support of it, regarding the discrepancy in my own figures of army net charges (exclusive of exchange) during the 10 years ending 1894-95, I may here state how I arrived at the total of Rx. 37,494,770. I should have easily furnished the particulars now submitted had Mr. Jacob asked an explanation in reference thereto. No doubt he did ask for explanation regarding certain other figures, both verbally and in writing, and I dare say he would be the first to admit that I readily offered explanation on all items which needed elucidation. But so far as my recollection goes, I am not aware of his having requested me to give any explanation on these

figures. Even assuming for a moment that he did, and that it escaped me, nothing could have prevented his sending me a reminder, as my address was known to him. So also the fact I was not to leave London till the end of June.

Now as to the figures themselves. Here they are :—

NET ARMY CHARGES (EXCLUSIVE OF EXCHANGE) FOR 1894-95 to 1895-96.

	Net Charges for a year. Rx.	Rx.
(1) Army Charges, Effective	156,185,735	
(2) Do. Non-Effective	28,865,736	
(3) Military Works ...	10,729,160	
	195,780,631 =	19,578,063
(4) Special Defences in 9 years =	Rx. 3,721,748 =	413,527
	Total net per year =	19,991,590

NET ARMY CHARGES IN 1884-85, EXCLUSIVE OF EXCHANGE.

	Rx.	
(1) Effective	12,048,207	
(2) Non-Effective	3,134,674	
(3) Military Works ...	909,232	
	=	16,092,113
Difference (being increase) per annum =		3,899,477
Rx, 3,899,477 × 10 =		38,994,770
Deduct about Rs. 1,500,000, estimated in round numbers for increase (in 10 years) of exchange of soldiers' pay on the normal army expenditure as it was in 1884-85		1,500,000
Balance		37,494,770

These totals, of course, show a difference of Rx. 3,556,770, compared with those given by Mr. Jacob in his table. I attribute the discrepancy chiefly to the item of exchange on deferred pay of British troops. It is for the Commission to take that into account

or not. I thought I was fairer in excluding it, as the point I made out in my reply to Question No. 17,347 would be *more favourable* to the Government than it would otherwise be. But, assuming that it should be taken into account, then I may observe that my point in no way loses its emphasis. That point, as the Commission is, no doubt, aware, is this: that but for the disturbing factor of increased military expenditure, the revenue might have fairly borne the annually increasing burden of exchange without the imposition of any new taxation. This point does not lose its value even if Mr. Jacob's figures of net military expenditure, without exchange, are accepted by the Commission. My table, as amended, would then stand as follows:—

		Rx.
Net expenditure in 10 years		548,854,292
Deduct increased Army expenditure over 1884-85, exclusive of Exchange (according to Mr. Jacob's figures)		33,938,000
		514,916,292
	Rx.	
Net revenue in 10 years ...	540,319,618	
Deduct new taxation (according to Mr. Jacob's figures) ...	22,316,000	
		524,003,618
Net Surplus ...		9,087,326

Thus the net surplus would come to Rx. 9,087,326, against Rx. 8,553,153, as per my original figures. But in those figures I deducted from the total revenue not only the amount of new and enhanced taxation, but also the famine grants suspended and the provincial balances which were not refunded. These amount to Rx. 5,410,114. If this sum were added to the amount of increased taxation, according to Mr. Jacob's figures, the total to be deducted from the total revenue would be 27,620,114 (22,316,000=5,410,114). In that case the accounts would stand thus:—

	Rx.
Net Expenditure in 10 years, less not increased Army expenditure, without exchange ...	514,916,292
Net revenue in 10 years, less taxtation, suspended famine grants, and provincial balances not refunded	518,593,504
Net Surplus...	3,677,212

My statement, that but for the increased Military charges the burden of increasing exchange could have been fairly borne by the revenue without taxation, may be demonstrated in another way, on the basis of the figures given by Mr. Jacob in his reply to Question No. 20,193.

	Rx.
Firstly, the total Military expenditure during the decade, *including* exchange, was ...	220,541,000
But the total *net* Military expenditure, *excluding* exchange, was ...	193,168,000
Difference, being exchange on Army Charges ...	27,373,000

This amount was owing to increased Army Charges. Now, had the Army charges remained at the figures they were in 1884-85, the total Army exchange in 10 years would have been as shown below :—

	Rx.
Army Charges, *including* exchange ...	17,058,000
,, *excluding* ,, ...	15,923,00
Difference, being exchange ...	1,135,000
This is the exchange for one year. For 10 years it would be	11,350,000
Add, at a rough estimate, the additional charge for lower exchange during the decade on the Army Charges as they stood in 1884-85 ...	1,500,000
Exchange which would have been payable on the basis of Army Charges in 1884-85... ...	12,850,000

Thus .—

Increased exchange on account of increased Army Charges during the decade is	27,373,000
Increased exchange on Army Charges as they stood in 1885 would have been	12,850,000
Difference, being increased Army exchange over 1884-85	14,523,000
Total increase of exchange on all heads during the decade	43,276,000
Deduct increase of exchange on account of increased Military expenditure ...	14,523,000

Net burden of exchange which the revenues might have borne without new taxation ...	28,753,000
I have stated above that new and enhanced taxation and suspended famine grants plus provincial balances encroached amount to ...	27,726,114
While the net burden of exchange, as above, would have been	28,753,000
Difference	1,026,886

The difference which might have been met is small indeed, only 102,688 Rx. for a year, so that it will be readily conceded that practically revenue and expenditure during the decade would have been met without any extra taxation or other financial shuffling.

EXPLANATION REGARDING DISCREPANCIES IN FINAL RESULTS IN WORKING OF GUARANTEED RAILWAYS.

Q. 20,203.—I am afraid there has been some confusion in reference to what I observed to the Commission in reply to Question 17,474 on the final results of the working of railways. Mr. Jacob is right in observing in his reply (Q. 20,203) that the figures of the Railway Administration Report agree with those of Finance and Revenue accounts. At the time that I made my reply I was under the impression that the net losses on Railways worked out in the Administration Report were somewhat different from those which I worked out from the Parliamentary Return of Revenue and Expenditure of 27th March 1896. I formed this impression because at the time I had not tallied the latter with the former figures. The impression, however, was originally formed on account of the manner in which the losses were worked out in the table at page 708, appended to the Report of the East India Railway Committee of 1884. In his evidence (Q. 9640 to 9644) Mr. Jacob, when asked to state what the actual loss the Government had incurred on all railways from the date of their construction (1848) replied that he was not aware. He could only give information from 1858. The Commission thereupon asked him to refer and give the necessary figures later on. Having read this evidence, I recollected all about this table, presented to the Parliamentary Committee of 1884, which I had formerly perused. When I gave my evidence, I was not aware of the tables on this subject which Mr. Jacob had later on furnished, and which formed one of the appendices. In fact, it was Sir J. Peile who drew my attention to it during the course of my evidence. The remarks made by me in reply to question No. 17,477 were, therefore, made in consequence of the original impression I had formed from the Parliamentary Committee table. My only regret is that I did not tally the Parliamentary figures in

the Return of March 27,1896, with those of the Railway Administration reports. I was misled by the Parliamentary table of 1884, as it seems the later accounts have been made up somewhat differently.

As to Mr. Jacob's further observation (same question No. 20,203) that the figures given by me in reply to Question 17,480 are incorrect, I beg to differ from him. The figures are correct, but the mistake on his part has arisen from his taking my figures as if they related to all the railways, whereas I referred only to the Guaranteed State Railways.

MR. JACOB CONTRADICTED ON THE RATE OF INTEREST PAID BY THE GOVERNMENT DURING THE LAST 40 YEARS.

Q. 20,205.—Here, also, Mr. Jacob says that I am not correct in the statement I made in reply to Question 17,568, that the Government has not borrowed at 9 per cent. The highest rate at which it has borrowed was 5½ per cent. I maintain that I am perfectly correct in my statement. The Chairman in his question Nos. 17,566 and 17,567 had been "referring to current rate of interest in India": and I replied to him that the Government had never borrowed loans at 9 per cent. which is an absolute fact. But Mr. Jacob says the Government had borrowed at 6 per cent. True, but surely that borrowing has not been within recent times? I know at this rate the Government borrowed about 25,000,000 Rx in the years 1820-21 and 1822, and again about 350,000 Rx. in 1855-6, 1857, and 1858. But no borrowings have been effected at 6 per cent. during the last 40 years. If the Chairman had asked me whether *at any time* in British Indian history Government had borrowed at that rate, I should have replied in the affirmative. But, as I understood him, and the tenor of the question is quite plain, that he only asked whether in *recent* times loans had been taken at the rate, I replied in the negative. My reply is absolutely correct.

INDEX

A — PAGE.

Absenteeism, Economic evils of ... 70
Agrarian Legislation, Bombay ... 35
Agricultural Banks 48, 330, 336
Assessments of land 31, 42

B

Banks, Agricultural 48, 330, 336
Bank Failures ... 457
Bombay Famine Policy ... 10
Borrowing for Railways in India ... 231
Bright, Mr. on Agricultural Conditions ... 354
Budget, balancing of ... 79
Business Economics ... 155

C

Caird, Sir J., on Land Revenue Policy ... 338
Civil Service, Indian Recruits in the ... 487
—— Salaries and annuities in the ... 491
Coinage, Profits of, for Railway Capital ... 237
Commerce, a Faculty in, in universities ... 125
—— and Industry—Educated India and ... 148
—— Science of 123, 153
Commercial Congress, Indian ... 322
—— Education ... 331
—— Education and Germany ... 154

PAGE.

Congress (1901) Presidential Address ... 1
—— (1915) Welcome Address ... 466
—— Commercial Indian ... 322
Coronation ... 5
Cotton Industry 435, 438, 441, 443, 449, 455
Cromer, Lord., on Agricultural Banks ... 364
Crusades, the ... 152
Currency Question ... 374
——, Royal Commission on 375
Curzon, Lord, Statements of—traversed ... 66

D

Deccan Agriculturist's Relief Act 50, 361

E

Economic evils of absenteeism ... 70
—— knowledge ... 143
—— progress, Sir, E. Law on ... 68
—— science ... 140
—— study ... 165
Economics and Indian publicists ... 167
—— and Legislation ... 185
—— and Universities ... 166
Economics, practical efforts made by Government in, 137
Economy in public expenditure ... 85
Education Commission ... 135
—— commercial ... 331
—— evils of centralised ... 411

PAGE.

Education, evils of state engineered ... 431
— Future of Indian ... 419
— Primary ... 420
— in India ... 402
— in India, Aspects of, 424
— and evolution ... 406
Elliott, Sir Charles, on Famine Expenditure ... 22
England's Financial relations with India ... 392
Evolution of Indian trade. 98
Examinations, Simultaneous ... 482
Excise duty on Indian yarn ... 430
Excise duty 438, 450, 452, 456
Expenditure, Economy in Public ... 85
— Growth of ... 397
— Indian ... 273
— Military ... 82
— Royal Commission on. 83
Exports and Imports, Indian ... 332

F

Faculty in commerce in universities ... 125
Famine of 1901 ... 6
— causes of ... 26
— code ... 16
— Commission ... 24
— effects of ... 7
— policy in Bombay ... 10
— prevention of 17, 24
— union, Indian ... 33
— and State ... 8
Finance, Indian ... 75
Financial Relations of England with India ... 392

G

German Technical education ... 130
Germany and commercial education ... 154
Gujarat Inquiry ... 15

I

PAGE.

Imports and Exports of Japan and China ... 454
India, England's financial relation with ... 392
Indian Commerce and Economic studies ... 146
— Commerce and the Ancients ... 150
— Commercial Congress. 322
— Education ... 402
— Exports and Imports.. 332
— Finance ... 75
Indian Military Expenditure 273
— The Amalmagation Scheme of ... 285
— Cause of increase of; 279, 282
— Foreign policy in ... 297
— Forward Policy 299, 306
— Growth of ... 276
— Policies in 299, 301
— Retrenchment in. 317
— Simla Army Commission and ... 309
— Strength of the Army, and. 314
Welby Commission on Army charges ... 313
— National Congress—*see* under Congress ...
— Publicists and Economics ... 167
— Recruits in the Indian Civil Service ... 487
— Yarn, Excise duty on. 430
Industrial development ... 87
— situation ... 183
Industry and Commerce—Educated India and ... 148
Irrigation and Railways ... 43

L

Lancashire's cry of Protection ... 460

PAGE.

Land Assessments 31, 42
Law, Sir E., on Economic Progress ... 68

M

Masses, Condition of 55, 65,
Mckinley ... 4
Mill Owners' Association, speeches at ... 430
Military Expenditure ... 82
—— See also under Indian
Military Expenditure, Growth of ... 397
Mints, closing of the ... 168

N

National Congress—See under Congress ...
—— Wealth, computing ... 56

O

Operatives, condition of ... 436
—— Provident Fund for, 440, 445

P

Pestalozzi's method ... 409
Post-graduate career and affairs of State ... 176
Poverty, Asiatic ... 73
Practical Economics ... 137
Preferential Tariffs ... 441
Prevention of Famine 17, 24
Primary Education ... 420
Provident Fund for operatives 440, 445

R

Raiffesen System ... 50
Railway Construction, Restriction of ... 254
—— Finance ... 206
—— Finance, separation of, from general finances. 245
Railways, Borrowing for ... 231

PAGE.

Railways, Neglect of Indian interests in ... 258
—— and Irrigation ... 43
Ranade, Mr. Justice ... 1
Ripon, Lord., and Technical Education ... 135
Royal Commission on Currency ... 375
—— on Expenditure... 83
Rupee Coinage ... 170

S

Salaries and Annuities in the Indian Civil Service.. 491
Salisbury, Lord ... 29
—— on land assessments. 31
Salt Duty ... 434
Science of commerce 123, 153
Seshadri Aiyar, Sir ... 4
Sherman Act ... 386
Silver, Committee on depreciation of ... 381
Simultaneous examinations ... 482
Spencer on Education ... 417
State and Famine ... 8
Statistical and Economic study ... 191
Sugar Legislation ... 172
Swadeshism ... 144

T

Tariffs, Preferential ... 441
Taxation ... 77
Technical Education and Germany ... 130
—— Education, Indifference of the Government towards ... 134
Trade, Evolution of Indian 98

U

Universities, a Faculty in Commerce in ... 125
—— and Economics ... 166
—— and Practical Economics ... 137

PAGE.

V

Viceroy, Extension of period of ... 41
Victoria, Queen ... 2

W

Wealth, national, computing ... 56
Wedderburn, Sir W., on Agricultural Banks 346,350

Y

Yarn, Indian, Excise duty on ... 430

PRINTED AT THE MODERN PRINTING WORKS, MOUNT ROAD, FOR G. A. NATESAN & CO., MADRAS.

WHAT INDIA WANTS

AUTONOMY WITHIN THE EMPIRE

BY

G. A. NATESAN, B.A., F.M.U.,

Editor, "The Indian Review."

WITH FOREWORDS BY

SIR NARAYAN G. CHANDAVARKAR.
HON. THE RAJA OF MAHMUDABAD.
MR. V. P. MADHAVA RAO, C.I.E.
RAJA SIR HARNAM SINGH, K.C.I.E.
PUNDIT MADAN MOHAN MALAVIYA.
SIR JAMSETJEE JEJEEBHOY, *BART.*
BABU SURENDRANATH BANERJEA.
SIR P. S. SIVASWAMI AIYAR, K.C.S.I.
SIRDAR JOGENDRA SINGH.
HON. MR. V. S. SRINIVASA SASTRI.
MR. M. K. GANDHI & MRS. BESANT.

This book contains a brief and succinct account of India's demand for Self-Government. Mr. Natesan points out that the time has now come when the people of the land should be given a real and effective voice in the administration of the country, that the uncontrolled power now vested in the Bureaucracy should be transferred to the representatives of the people so as to enable them to regulate the policy of the state, control the finances and make the Executive responisble to the Legislature.

The Bengalee.—It is an important contribution to the cause of Indian constitutional reform and will prove highly useful to all students of Indian politics.

Foolscap 8vo. 144 Pages. As. 8.

To Subscribers of the "Indian Review" As. 6.

G. A. NATESAN & CO., PUBLISHERS, MADRAS.

SAROJINI NAIDU'S
SPEECHES AND WRITINGS

A COMPREHENSIVE & UP-TO-DATE COLLECTION.

This is an attempt to present for the first time under one cover an exhaustive and comprehensive collection of the speeches and writings of Mrs. Sarojini Naidu, the talented Indian poetess. The collection includes her speeches delivered from time to time at the various sessions of the Congress, the Indian Social and Theistic Conferences. It includes also many other notable utterances of hers on the Education of Indian Women, the Elevation of Indian Womanhood, Hindu-Muslim Unity, the Privileges of the Younger Generation, the Arms Act, Indians and Military Service, Indentured Labour, and Self-Government for India. The book contains also several select addresses delivered to students.

WITH PORTRAITS AND APPRECIATIONS

Crown 8vo. Printed on Featherweight paper.

Price Re One.

To subscribers of the Indian Review, As. 12.

If you have not already seen the "Indian Review" please send a postage stamp for Annas four for a free specimen copy. The Annual Subscription to the "Review" is Rs. 5 (five). Subscriptions can commence from any month. A large number of valuable books are given at concession rates to permanent subscribers of the Indian Review. Any one who wishes to buy books at concession rates must remit Rs. 5, one year's subscription to the "Review" in advance. Those in arrears cannot have concession rates. G. A. Natesan & Co., Publishers, "Indian Review," George Town, Madras.

G.A. NATESAN & CO., PUBLISHERS, MADRAS.